cerning the Casey appointment. He concealed it from the media.

Q. It's not a postal inspector's job to seek indictments of somebody in circumstances where the inspector thinks that somebody didn't make a compete statement to the media. Would you * * *

[130]

Q. Looing at background and conspiracy. Does that look to you like—

A. Oh, background. You're in background?

Q. Yes.

A. Yeah, that looks different.

Q. That looks like a dot matrix printer, doesn't it?

A. Again, I'm not familiar with dot matrix versus laser versus whatever they have right now, ink jet.

Q. Let's focus on the Bates stamp numbers that go from 06 to 019. You believe you prepared that or had substantial input into preparing it?

A. Yes.

Q. On page 11, which is Bates number 19, there is that section: Moore, Reedy's and REI's intent to defraud. Do you see that?

A. Yes.

Q. Do you believe you prepared that?

A. Yes.

Q. The last item on that page says, "During the period August '85 to April '86 REI continued [131] to undermine the competitive testing program via the media and congress." Do you see that?

A. Yes.

Q. You have that in a section that indicates that you believe that's evidence of an intent to defraud the Postal Service?

A. Yes.

Q What did you mean when you said, "continue to undermine the competitive testing program via the media?" Let's take the media first.

A. I don't recall what newspaper articles or—I don't recall, you know, TV or radio. I don't recall what specific TV or articles underlined this statement. Just that they had signed an agreement to compete, and it was the goal of the conspiracy to undermine the competitive program, to cancel the competitive program and to cause a sole source award. So any actions to undermine the competitive testing program supported the conspiracy and the object of the conspiracy.

[132]

Q. You're saying by going to the media that was improperly in some fashion undermining the competitive test program?

A. It could, yes.

Q. Postal Service ever tell people that once you attempt to get a contract from us, competitive or otherwise, you lose your right to tell the media anything?

A. No.

Q. Wouldn't you think—

A. Although, I'm sure there's some agreements that are confidential that you can't disclose.

Q. That' s not applicable here?

A. I'm not saying that that's applicable here.

Q. What specifically were you talking about in terms of REI's undermining the competitive testing program via congress?

A. I referred to before the Glen English hearing was—the competitive program was in place. REI agreed to compete, and they were [133] seeking to influence Paul Carlin to award sole source contracts or if he didn't to remove Paul Carlin or Jim Jellison or whoever else was standing in their way, and one of the tools to do that is congress .

Q. And you have that on a page that says that's evidence of intent to defraud?

A. That's on the same page, yes.

Q. Did anybody ever tell you at any time—I'll withdraw that. Let's look now at the rest of details of offense, starting with the table of contents where

it says on page—the page right after the table of contents, "key players." See that?

A. Uh-huh .

Q. Who made the list of key players?

A. Frank and me, I guess.

Q. Let' s go down to the third one, Jack Brooks. He's was a congressman from Texas at the time, right?

A. Yes.

Q. What is it in the investigation that in * * *

TRANSCRIPT OF PROCEEDINGS

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Criminal Action Number
CR 88-0385

UNITED STATES OF AMERICA, PLAINTIFF

v.

RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR, ROBERT W. REEDY, DEFENDANTS

AFTERNOON SESSION

Washington, D. C.

Wednesday, Oct. 18, 1989

* * * * *

[1808]

Q. Now, I would like to turn to go ahead, turn now to June 9, 1987, July of 1987, the time when you sat down with Mr. Valder and Mr. Hartman and Mr. Kormann with your lawyer to begin discussions and interviews with them; all right?

A. Yes, sir.

Q. If you could turn now to Exhibit Number 88. That's the third from the end of the book.

A. Yes, sir.

Q. And that's a letter, isn't it, to your lawyer, as you have identified previously, from Mr. Valder that assures you that you will not be prosecuted in this case?

A. That's the way I understand it, yes, sir.

Q. And that is also the letter that says in it, "There is no evidence to suggest his knowing"—your knowing—"participation in the illegal payments by Gnau to Voss"; is that correct?

A. Yes, sir.

Q. Now, the fact is, isn't it, that in your various meetings with Mr. Valder and with Mr. Kormann and with Mr. Hartman, in June and July of 1987, that you told them a number of times that you didn't know that Mr. Gnau was making illegal payments to Mr. Voss; is that correct?

A. Yes, sir.

Q. And you also told them, didn't you, that as far [1809] as you knew from your knowledge, neither Mr. Moore nor Mr. Reedy knew that either; is that correct?

A. Yes, sir.

Q. Now, you then after this letter was given to you, you then proceeded to be interviewed on a number of different days—

A. Yes, sir.

Q. —by the Postal inspectors and Mr. Valder; is that correct?

A. Yes, sir.

Q. June 9, June 10, July 14, July 15 and ultimately testifying in the Grand Jury on July 16 of 1987; is that correct?

A. I believe that's correct, yes, sir.

Q. In each of these sessions, you were a good part of each of those days; is that correct?

A. Yes, sir.

Q. And having met with the inspectors on June 9, June 10 and July 14, on July 15, when you went in to be interviewed again, the inspectors gave you a summary statement that they had prepared of what you had told them that they wanted you to be your testimony in the Grand Jury; is that correct?

A. Yes, sir.

Q. And they gave it to you for you and your lawyer [1810] to review; is that correct?

A. Yes, sir.

Q. And you did review it. It was quite lengthy, wasn't it?

A. Yes, sir.

Q. In fact, it was roughly 22-odd pages, but you looked at it and studied it, didn't you?

A. Yes, sir.

Q. And you found that to be a one-sided and slanted picture of what you had told them over three succeeding—three previous interviews; is that correct?

A. Yes, sir.

Q. To you, this did not reflect what you had told them; isn't that true?

A. Yes, sir.

Q. And there proceeded as a result of your concern that this did not reflect what you had told them, there proceeded an effort, as a matter of fact you told them you would not present this testimony to the Grand Jury; is that correct?

A. Yes, sir.

Q. And there proceeded, didn't there, a marathon session with the Postal inspectors, didn't you, in which you had to go through this word by word and line by line to review it; is that correct?

[1811]

A. Yes, sir.

Q. In fact, that session with Mr. Kormann and Mr. Hartman went well until the evening hours until 1:00 a.m. the night before you were in the Grand Jury; is that correct?

A. That's what I recall, yes, sir.

Q. Now, it is true as well, sir, isn't it, that Mr. Valder was there up until he left at some period of time to go home late in the afternoon of that July 15?

A. I don't recall the time Mr. Valder left.

Q. But he did leave; is that correct?

A. I recall he did leave before we finished, yes.

Q. And that left the continuing effort to review this statement to you, your lawyer, Mr. Hartman and Mr. Kormann; is that correct?

A. Yes, sir.

Q. And it is true as well, isn't it, sir, that Mr. Kormann and Mr. Hartman made it very clear to you that they didn't went you to make any changes in this statement; is that right?

A. They were resisting all changes, I will say that.

Q. As a matter of fact, they got quite angry at you, didn't they?

A. A few times words were a little louder than [1812] normal.

Q. Mr. Hartman raised his voice at you and your lawyer, didn't he?

A. As I recall, he did.

Q. And as a result of that effort, isn't it a fact, sir, that you and your lawyer when you ultimately came and testified the next day in the Grand Jury, isn't it a fact that you and your lawyer actually presented a certain list of questions to Mr. Valder that you felt should be asked of you in the Grand Jury in order for there to be a realistic picture of what you knew to be the truth; isn't that true?

A. Yes, sir.

Q. And as a matter of fact, when you went into the Grand Jury, Mr. Valder didn't ask you those questions, did he?

A. Not all of them, no, sir.

Q. Finally, sir, isn't it true that you and your lawyer actually took the draft statement, and went over it yourselves and added a paragraph at the end of it that you wished to be part of the testimony, didn't you?

A. We added several things to that document that we wanted to be part of the testimony.

Q. And that was in either your own handwriting or the handwriting of your lawyer; is that correct?

[1813]

A. Yes, sir.

Q. And you gave that to Mr. Valder, didn't you?

A. Yes, sir. We discussed it. We ultimately gave it to Mr. Valder; that's correct.

Q. Because they wouldn't allow to you keep a copy of this, would they?

A. That's correct.

Q. As a matter of fact, that final paragraph that you prepared said that neither you nor, to your knowledge, Mr. Moore nor Mr. Reedy knew about illegal pay-offs to Mr. Voss; is that correct?

A. I can't remember exactly what that last paragraph said. I know we wanted that to be part of my Grand Jury statement. I don't remember where in the document that we wanted that to be.

Q. That's right. And sir, looking at Exhibits 89 and 90, neither one of 89 being the draft statement, 90 being the ultimate statement, neither one of those, sir, is the one that you and your lawyer worked on, wrote on and gave to Mr. Valder?

A. That's correct.

Q. MR. KRAKOFF: No further questions, your Honor.

At this time—

THE COURT: Just a second. I'm a little confused. I'm looking at 89 and 90 and there's a lot of * * *

* * * * *

[1832]

THE COURT: The 16th, I'm sorry.

BY MR. VALDER:

Q. On the 16th you had the updated version and an opportunity to make changes again?

A. Yes, sir.

THE COURT: I want to know, on the morning of the 16th, were you presented with Reedy 90?

THE WITNESS: Yes, sir. A new, retyped draft; that's correct.

THE COURT: Any discussion of the other matter which you had requested the night before?

THE WITNESS: I don't recall it that was brought up again or not, your Honor. If was pretty much said—

THE COURT: What do you mean the Postal inspectors refused to accept your statement? What do you mean by that?

THE WITNESS: They refused to make the additions and many of the changes that we wanted to make.

THE COURT: In what way did they refuse?

THE WITNESS: They said no, we won't allow the change to be made. They controlled the document, your Honor. They were the ones that were charged—with first preparing the statement, between Mr. Valder and the inspectors, I don't know who had the actual responsibility, but they

controlled the document and they [1833] controlled the changes.

THE COURT: All right, sir.

BY MR. VALDER:

Q. Mr. Bray, in connection with the paragraph or the information you wanted to add, have you had occasion to review counsel's notes to recall what that was?

A. Yes, sir, I have.

Q. And what was it, sir?

A. I just testified a while ago—

THE COURT: I want to hear that again. What is it that you wanted added that was not added?

THE WITNESS: I recall that what we wanted added was that the statement that Mr. Moore and Mr. Reedy and I never discussed any payments from Gnau and Associates to Mr. Voss at any time outside of the presence of counsel. And as I recall—I couldn't recall a moment ago, I thought there was something else in that paragraph. I believe now it had to do with the fact that Mr. Moore or Mr. Reedy never told me that I was not to tell anyone that Mr. Voss recommended Gnau and Associates as consultants. That was basically it.

MR. VALDER: Would you say that again, please?

THE WITNESS: That Mr. Reedy never told me not to tell Mr. Moore, and Mr. Reedy never told me that I should not tell anyone that Mr. Voss recommended—that I * * *

* * * * *

[1939]

A. Yes, sir.

Q. Now, isn't it true as well, sir, that the fundamental point that you disagreed with the inspectors on that you wanted to have in that statement was simply this: That you, Frank Bray, did not know that Peter Voss was being paid by John Gnau and to your knowledge neither did Bill Moore nor Bob Reedy? Isn't that true?

A. I believe that's true, yes.

Q. And isn't it a fact as well that that most fundamental point in this case was not put into your statement by Mr. Hartman or Mr. Kormann under the direction of Mr. Valder? Isn't that true?

A. It is true.

MR. KRAKOFF: Now, sir, and that statement, just so the record is clear, your Honor, Mr. Bray has just testified about is marked as Government Exhibit—excuse me, as Reedy Exhibit 90.

THE COURT: This is a new designation?

MR. KRAKOFF: No, your Honor, just so the record is clear, for the reporter.

BY MR. KRAKOFF:

Q. Sir, it is true as well, isn't it, that the following day, as you testified, your lawyer presented certain questions on your behalf to Mr. Valder to be asked of you in the Grand Jury that in order to make a clear and * * *

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RULE 6e MATERIAL ENCLOSED

DETAILS OF OFFENSE

[Shield omitted] POSTAL INSPECTION SERVICE

RESTRICTED INFORMATION

Summary

BACKGROUND

Between 1970 and 1980, USPS funded research and development contracts with REI totaling approximately $50 million. REI developed a MLOCR and sold 5 prototypes to USPS for approximately $20 million. The USPS experience with REI was marred by cost overruns, delays in delivery of contracted services and unsatisfactory performance of machines after installation. Partly as a result of its REI/MLOCR experience, USPS concluded the proper automation strategy was deployment of SLOCRs, in combination with customer application of ZIP+4, and purchased SLOCRs from Burroughs and Pitney-Bowes. REI officers William Moore (President & Chairman of Board) and Robert Reedy (Vice President–Marketing) strongly opposed the USPS SLOCR strategy.

In mid 1981, William Spartin was employed at the White House as Deputy Director of Presidential Personnel. There, he met John Gnau, former Reagan Campaign Chairman for Michigan. In 1983, Spartin became President of MSL, an executive recruiting firm, and began trading clients with Gnau who had formed a small governmental consulting (influence peddling) firm. Michael Marcus was Treasurer of Gnau's firm (GAI).

CONSPIRACY

In late 1982 Gnau contacted USPS Board of Governor (BOG) member Peter Voss relative to a real estate transaction between USPS and a Gnau client (Durant). By January 1984, Gnau agreed to compensate Voss for client referrals. In exchange, Voss agreed to assist Gnau's clients in obtaining USPS contracts/business. At its January 1984 meeting, USPS BOG authorized

the purchase of new generation SLOCRs. REI and ECA teamed with foreign partners and competed for the new contract.

In June 1984, Voss informed Texas Congressmen Martin Frost and Jack Brooks of his support for the USPS purchase of MLOCRs from REI. Neal Gregory, REI lobbyist (Hill and Knowlton, one of the world's largest), gave REI President Moore a copy of Voss' letter to Congressman Brooks. At about that time, Congressman Frost's office furnished Moore a "confidential" USPS BOG transcript. There ensued during July and August a series of telephone calls between Voss and Moore including a 22.6 minute call on July 6, 1984. On July 10, the USPS SLOCR contract was awarded to ECA. REI had lost the competition and, as a result, had no prospect of receiving USPS contracts in the forseeable future.

Voss, however, had other ideas. On September 3, 1984, while on a BOG trip to Dallas, T, Voss met secretly with Robert Reedy of REI. At that meeting, Voss told Reedy to hire Gnau's firm (GAI) to represent REI with the USPS. Reedy and Gnau met on October 12, but did not sign a contract until early 1985. Voss and Gnau complained to Moore and Reedy about the delay. Toll records, telephone logs, and Moore's notes reflect ongoing telephone contact between Moore and Voss, Reedy and Voss, Reedy and Gnau from September 4 through the end of 1984. In November 1984, Gnau introduced Spartin and Voss to each other. Gnau sent a letter to Reedy identifying Spartin as President of GAI.

In January 1985, Paul Carlin was appointed PMG with the support of Peter Voss. Gnau and Marcus met with Moore and Reedy and told them REI would have a USPS contract within 90-120 days. Gnau and Reedy

signed a contract wherein REI would pay GAI $30,000 (three equal payments) plus expenses and a bonus equal to 1% of any USPS contract awarded to REI. Gnau, Marcus, Spartin and Voss agreed to divide the 1% bonus among themselves. In addition, Gnau paid Voss 1/3 of REI's $30,000 payment. Over the next several months, Gnau, Marcus, Spartin and Voss orchestrated circumstances and events to REI's benefit.

At every USPS BOG meeting during 1985, Voss urged USPS to terminate its (July 1984) contract with ECA and award a sole source contract to REI. With Voss on their side, REI made presentations (sales pitches) to USPS at Washington in March and at Dallas during April and May 1985. Marcus began authoring reports analyzing REI equipment and USPS policy which were shaded to REI's advantage. Voss presented these reports to the USPS as if they were his own independent work product. During this time, REI lobbied several Congressmen to pressure USPS into purchasing equipment from REI. REI drafted letters which Congressmen sent to USPS. Reedy and Moore worked with Congressman Frost to draft an amendment to a USPS appropriations bill which, if passed, would have prevented release of funds to USPS until REI obtained a USPS contract. At about the same time, in July 1985, REI arranged through Marcus to introduce a contracting consultant to the USPS BOG. The consultant met with the BOG and advised them it was proper to award a sole source contract. The consultant failed to disclose to USPS BOG that he was under contract to REI.

CARLIN FIRED/CASEY HIRED

By late summer, Gnau et al. and REI were frustrated by the lack of progress in receiving a contract award. Gnau, Marcus and Spartin met at REI on August 29, 1985 and negotiated new terms with Reedy. REI agreed to pay GAI $22,000 monthly, including expenses, for his continuing efforts to get a USPS contract for REI. Gnau et al. and REI's Moore and Reedy had discussed for months that PMG Carlin and his senior assistant James Jellison were personally responsible for REI's failure to get a contract. REI cooperated with Voss' and GAI's efforts to get rid of Carlin and Jellison at the same time REI agreed to compete with ECA for a new USPS automation contract valued at $250-400 million. Voss' advocacy (bribery) resulted in REI's renewed eligibility for a contract only 12 months after they had lost all chance of future USPS business. Gnau, Voss, Moore and Reedy were determined to win this competition.

By fall 1985, Spartin began paying (bribing) Voss with airline tickets for recruitment contracts at the USPS. Gnau was paying (bribing) Voss in cash for his efforts to defraud the USPS of a fair and unbiased procurement. Spartin knew that Carlin would be replaced soon and in early December Voss directed Spartin to begin a search for Carlin's replacement. Spartin notified Gnau and contacted REI President Moore to discuss the search and solicit candidates favorable to REI. Moore recommended Albert Casey to Spartin. Casey was interviewed by Spartin in December 18 and by Voss/McKean (Chairman–USPS BOG) on January 2, 1986. Carlin was fired and Casey hired on January 6, 1986. Three days later, Casey discussed senior level management changes with Spartin including the planned

reassignment of James Jellison. That evening, Moore, Reedy, Gnau and Spartin met to celebrate their success in getting rid of Carlin and Jellison.

Over the next several months Reedy and Moore talked with Spartin regularly about strategy for getting a USPS contract for REI. Moore and Reedy began to exhibit frustration at Voss' inability to deliver the contract they had worked (bribed) so long to get. Spartin assured them it would happen. By March 1986, however, USPS BOG learned of Spartin's dual role with MSL and GAI and on March 3, 1986 confronted Voss and Spartin. Spartin lied to the USPS BOG about this relationship with Gnau and attempted to cover-up his role in the REI/Voss (bribery–mail fraud) affair. Gnau, Spartin, Reedy and Moore talked during the next few weeks to solidify their version of the events. Their attempted cover-up proved futile when Spartin agreed to cooperate with the US Attorney and Postal Inspectors.

The purpose of this summary is to highlight evidence of William Moore's, Robert Reedy's and Recognition Equipment Inc.'s knowing and willful participation in: (1) a conspiracy to defraud the U.S. Government (USPS) of the loyal and faithful services of Peter E. Voss, and its right to conduct a fair and unbiased automation procurement (Title 18 USC 371); (2) bribery (Title 18 USC 201) and a conspiracy to bribe a government official; (3) use of the U.S. Mail in furtherance of a fraudulent scheme to obtain a multi-million dollar USPS contract (Title 18 USC 1341); and (4) aiding and abetting (Title 18 USC 2) the above listed offenses.

The evidence is divided into four categories, as follows:

I. This section lists Voss' official influence and actions which were known by the USPS and REI officials Moore and Reedy. These actions, primarily the continued high intensity of Voss' oversight and intervention, caused observers to be suspicious of Voss' motive.

II. Section II lists events and transactions relative to Voss' and GAI/REI actions which were *unknown* to *USPS officials* but *known* to *REI*. If this information had been known to USPS officials, Voss would have been confronted and his influence on the program (procurement) would have been halted. When coupled with the events listed in Section I, this evidence indicated that Moore and Reedy should have known that Voss *et al.* defrauded the U.S. Government (Post Office).

III. Section III lists events, comments and notes which indicate that Moore, Reedy and REI in fact knew that Voss, Gnau, Spartin and Marcus were conspiring to defraud the USPS, that Voss was somehow compensated for his influence, and that Moore, Reedy and REI knowingly participated in and furthered the conspiracy.

IV. Section IV lists independent "bad faith" initiatives developed by Moore and Reedy which our indicative of REI's intent and rebut REI's contention that they were only

endorsing what is right for the USPS and the mailing public.

I. *Peter Voss' official actions, known to USPS officials and Reedy, Moore and REI, which improved REI's position or furnished REI an opportunity to obtain a USPS MLOCR contract* are detailed below.

The intensity of Voss' attempted influence and participation in the MLOCR matter is justification in itself for suspicion and concern relative to his motive. USPS management and members of the Board of Governors did, in fact, question Voss' motive, but did not have enough information to confront or stop Voss.

08/84 - 02/85	-	Voss maneuvered himself onto the Technology and Development Committee
01/85 - 03/86	-	Peter Voss: Influenced Ruth Peters, Chairman of the Technology and Development Committee to endorse and actively promote REI's product (MLOCR)
Jan - Mar 1985	-	Caused the USPS to abandon a plan to achieve multi-line read (if necessary) by awarding retrofit contracts to REI competitors (Pitney Bowes, Burroughs, ElectroCom Automation)

Feb - May 1985	-	Influenced committee chairman Ruth Peters to schedule March, April and May 1985 meetings between USPS managers, the Technology and Development Committee and REI
Apr - Jun 1985	-	Steered USPS managers, and primarily Governor Peters, away from Electro-Com Automation
	-	Recommended at one point that the Phase II ECA SLOCR contract be canceled
May 1985	-	Recommended to USPS management, via a highly technical memorandum signed by Peters and the committee, that the USPS deploy MLOCRs by awarding an immediate MLOCR contract to REI (mid-course correction suggested)
June 1985	-	Directed the DPWG to purchase 90 MLOCRs sole source from REI ($162 million)
July 1985	-	Caused management to implement the mid-course correction
	-	Moved for Jellison's removal when Strange mistakenly re-

		ported information furnished her by Jellison
Jul - Aug 1985	-	Adamantly opposed developmental funding, developmental time period and competitive testing program in general
Aug 1985	-	(To implement the mid-course correction, USPS management developed a competitive MLOCR procurement program which did not include funding, but did include a shortened developmental period. The program made REI eligible for a $250 - $400 million award.)
	-	Argued against the competitive program and recommended an immediate award and continued his relentless pressure to influence such an award
Sept 1985	-	Recommended a joint Audit/ Technology and Development Committee meeting to influence additional Governors to support a sole source award to REI

Oct 1, 1985	-	(Joint Audit/Technology and Development Committee meeting)
	-	Furnished a briefing document that recommended an immediate award to REI
Oct 15, 1985	-	Caused Governor Sullivan, Audit Committee, to write to Carlin and asks if sole source is economically justified in light of REI's inability to obtain proprietary data from ECA for retrofit (Phase IIA)
Nov 1985	-	Submitted a letter to Carlin and the Board of Governors from the Technology and Development Committee responding to Carlin's response to Sullivan—again recommend immediate award
Dec 1985	-	Supported an immediate test which he believed would favor REI

- During a closed Board of Governors session, Voss and the Technology and Development Committee moved for Carlin's removal, primarily as a result of the automation program

Jan - Feb 1986 - Attempted to influence management to move test site from Phoenix to Dallas—a move which would greatly benefit REI because they had five years of directory experience in Dallas

Mar 3, 1986 - During a closed Board of Governors meeting, Voss *denied* knowing that Spartin was associated with Gnau and Associates and stated he had no contact with Gnau and Associates after referring them to the Postmaster General

1/85 - 3/86 - *Summary.* As a result of Voss' influence, MLOCRs received an inordinate amount of attention during each Board of Governors meeting

- Such activity is highly unusual for a Governor (Director) of any entity, especially one with $30 billion in revenue and 800,000 employees

- Voss' arguments were buttressed by a number of highly technical memoranda which supported an

immediate MLOCR award to REI. The memoranda were reportedly authored by the Technology and Development Committee and developed during independent research

- During July 1985, Jackie Strange remarked to the Chief Postal Inspector that no individual would go to the extremes that Voss had gone to without some personal gain

II. The following actions of Gnau and Associates, Inc. and Peter Voss, *were unknown to USPS officials, but known to Reedy, Moore and REI.* When coupled with Voss' known USPS influence (Section I), these actions should cause a reasonable person to "know" that Voss conspired to defraud the USPS.

07/02/84 - Voss' office furnished Board of Governors transcript to Congressman Frost's office

07/06/84 - Voss/Moore 22 minute telephone conversation

07/09/84 - Voss' office contacts Moore's office to warn of apparent result of ongoing Board of Governors/USPS management policy deliberations and offers advice for REI to reverse negative decision

August 1984 - Voss/Reedy 17 minute telephone conversation

09/03/84 - Voss meets privately with Reedy after Bolger/McKean cancel the REI/Technology and Development Committee meeting that Voss initiated

- Voss recommends that REI hire Gnau and Associates

11/09/84 - REI learns that William Spartin is the President of Gnau and Associates

Nov - Dec 1984 - Voss shows extraordinary interest in recommended REI/Gnau and Associates relationship by contacting Moore on at least two occasions and Reedy at least once to *reinforce* his *recommendation* and *question why* REI had not yet hired Gnau and Associates. Voss also furnished Moore advice relative to Carlin

January 1985 - Gnau reports in REI that he will obtain an MLOCR contract in 90-120 days through the support of Voss and the Technology and Development Committee. (William Moore/REI had been unsuccessful in obtaining same for the past two and one-half years.

- Gnau and Associates would receive a 1% commission if the MLOCR contract was obtained

03/05/85 - Prior to presentation to USPS, Gnau informs Reedy that the remaining Governors do not have to know that Voss and Gnau know each other

03/27/85 - Spartin, during a meeting with Moore and Reedy, reinforced Gnau and Associates' close relationship with Voss; over the course of their relationship, Spartin remarked to Reedy that Voss was in his hip pocket

Mar-May 1985- Reedy and Moore observe Voss' deceptive actions before USPS officials relative to his acquaintanceship with Gnau, Marcus and REI officials

- Reedy and Moore also realize that a critical member of Gnau and Associates (William Spartin) does not accompany REI/Gnau and Associates during USPS meetings

- Reedy knows that Marcus is authoring Technology and Development Committee findings and recommendations furnished to the Board of Governors and USPS management. He also is aware that the material is submitted through Voss and that Voss is manipulating Peters. These materials included arguments against retrofit, for an immediate award to REI,

recommendations for joint Audit/ Technology and Development Committee meetings, and movement of test site from Phoenix to Dallas.

03/85 - 03/86 - Moore, Reedy and REI are furnished the content of closed Board of Governors and USPS management meetings and deliberations; Voss also furnished Gnau and Associates the content of Electro Com Automation's MLOCR pricing and delivery proposals; Gnau and Associates furnished same to REI

07/85 - 03/86 - Reedy and Moore know that Spartin had received USPS executive recruitment contracts

07/08/85 - Reedy and Moore know that REI consultant Terry Miller has an opportunity to influence the Technology and Development Committee

08/29/85- 03/03/86 - That Spartin would place (or attempt to place) USPS managers that would be "friendly" to REI/Gnau and Associates

08/85 -12/85 - That Voss sought Carlin's and Jellison's removal because they did not favor immediate award to REI

- That despite the fact that REI signed a competitive test agreement, they aggressively (through Voss) pursued a sole source award

and undermined the competitive approach

11/04/85 - That Voss sought, and REI furnished, questions for Voss to ask REI and ECA during a presentation to the Board of Governors'; Voss furnished REI (through Marcus) a copy of ECA's written presentation

December 1985- That Spartin, an REI consultant, had a contract to replace Carlin

- That REI's recommended replacement (Al Casey) would become Postmaster General

03/85 - 03/86 - That there was a cover-up relative to Spartin's association with Gnau and Associates/REI/Voss which culminated in expressed misrepresentations to the Board of Governors, Postmaster General and Postal Inspectors

III. The below-listed events, comments and notes are evidence that Moore, Reedy and REI in fact knew that Voss *et al.* were conspiring to defraud the USPS, that Voss was somehow compensated for his influence, and that Moore, Reedy and REI knowingly participated in the conspiracy.

- Moore, Reedy and REI agreed to hire a three-man lobbying firm when they already retained a large international firm to further their USPS sales efforts

- The fact they they withheld their association with Gnau from their other consultants
- During their first meeting in October 1984, when *Gnau told Reedy not to use Voss' name but rather to refer to Voss as "our friend," Reedy said "I understand."*

April 29, 1985

- Moore's diary: *Consultant wired - (Peter Voss)* [corroboration of Spartin's statement to Reedy - "Voss is in my hip pocket."]

May 1985

- Reedy asked Gnau on two occasions, *"What is your arrangement with Peter Voss?"* (Reedy did not ask 'do you have an arrangement?' but rather 'what is it?')
- Gnau replied, *"It's better you not know what my relationship with Peter Voss is."* (Reedy did not pursue details of what appeared to be an acknowledgment of a compensatory relationship and thereafter continued to exploit the relationship

July 1985

- Reedy's and Moore's comments to at least Marcus and Spartin, *"Why don't you get Peter Voss to order sole source, etc.?"*

August 29, 1985

- During a meeting at REI, Spartin outlines the significance of his position as an executive recruiter for the USPS and consultant for REI

- Gnau and Associates, with REI's support and Voss' influence, initiated a campaign to remove Jellison and Carlin
- Reedy suggested, and Moore authorized, a $6,000 per month general public relations contract for services that were apparently unnecessary and accordingly never requested (they did so with token 'staged' input from their communications department).
- Spartin and Marcus will testify that Reedy "carved out" the $6,000 for William Spartin relative to Spartin's executive recruitment capabilities at the USPS. Evidence supporting their conclusion is the fact that shortly prior to the August 29, 1985, meeting, *Reedy asked Spartin if he was paid relative to the REI/Gnau and Associates agreement.* Spartin replied "no" but told Reedy he intended to share in the 1% commission.
- At the same time (August 29, 1985, which was after REI's agreed upon participation in a formal USPS competitive testing program) when REI's apparent legitimate need for Gnau and Associates was lessened, Moore and Reedy authorized a $16,000 nonrefundable draw on the 1% commission
- Reedy remarked in Marcus' and Gnau's presence that "You have a lot of people to take care of."

November 20, 1985

- *When specifically asked by Postal Inspectors, Moore and Reedy denied any contact with individual Board of Governors members*

January 9, 1986

- Moore, Reedy, Spartin and Gnau meet at Washington, DC to celebrate their success and *develop a strategy to capitalize on Casey's appointment*
- William Spartin, holder of a contract to locate a permanent Postmaster General and planned recipient of three senior level searches [known to REI], becomes the central figure in REI's sales strategy. Reedy telephoned Spartin on at least 20 occasions during the subsequent two-month period.
- Moore's diary: "30 - 45 days into mission - Al out to make decision"
- Reedy actively participated in the conspiracy to conceal Spartin's GAI/REI association by placing a *'bcc:' to Bill Spartin* on a January 10, 1986, letter addressed to John R. Gnau which was intended for submission to the USPS to support a sole source award

Jan-Feb. 1986

- *Moore and Reedy complain to Spartin about lack of progress in obtaining a sole source award.* [This statement is enlightening coming from a vendor that went from ineligible for a MLOCR award for several years to eligible for a $250-$400 million award within the year and was successful in removing the Postmaster General and Senior Assistant Postmaster General they believed were standing in their way].

March 1986

- During March 1986, Moore and Reedy, with the knowledge of an official investigation, *affirmatively agreed to participate in a cover-up relative to Casey's selection and Spartin's association with Gnau and Associates*

April 8, 1986

- When specifically asked by Postal Inspectors, *Robert Reedy lied about his identification and introduction to Gnau and Associates as a consultant*
- During the interview by Postal Inspectors, Reedy knowingly withheld information relative to the Spartin/REI/Gnau and Associates relationship, including Moore's recommendation of Casey, when he in fact knew the relationship was a subject of the investigation. After the interview, Reedy in fact telephoned Spartin.

July 1986

- When interviewed under the terms of a *Kastigar* letter, Reedy and Moore lied concerning their knowledge of Voss' influence on their behalf and could not explain or recall the significance of Moore's notes relative to Voss' actions (July 9, 1984) and the appointment of Casey (30 - 45 days into mission, Al out to make decision).
- Moore and Reedy consciously downplayed Spartin's role as a consultant to REI and his participation in their MLOCR sales effort. [There is substantial evidence to rebut their

minimization of Spartin's role, a role in which REI apparently feels exposure.]

IV. Moore's, Reedy's and REI's intent to defraud the USPS is evident in the following events and transactions that related to Voss' official influence but were independently initiated by Moore and Reedy.

- On or about July 25, 1985, at Moore's and Reedy's suggestion and with their substantial input relative to its drafting, Congressman Frost proposed an amendment to a USPS appropriate bill that in effect would freeze USPS revenue until MLOCRs were purchased from REI.

- On or about August 16, 1985, Reedy, on behalf of REI, executed a written agreement to compete in the Phase IIA and III MOLCR procurement. Phase IIA involved a program to retrofit the Phase II ECA/AEG SLOCRs to multi-line read, and Phase III involved a program to obtain new stand-alone MLOCRs. At the outset, REI was advised that the USPS could not furnish proprietary data and materials relative to the ECA/AEG SLOCR.

- There is evidence in the form of Moore's diary, Colquhoun's and Bray's notes and Bray's testimony that Moore developed and instituted a strategy to discredit and circumvent the Phase IIA program. Moore did so by requesting unnecessary and highly proprietary data from ECA/AEG to make them say "no" to REI's request. REI then intended (and did so) to cry "foul" and label the Phase IIA program sole source so that they could force a corresponding

sole source for Phase III. (Voss offered inside support through his "staged" Audit/Technology and Development Committee meeting.)

- Additional evidence of Moore's independent bad faith initiative was a meeting with AEG officials wherein he allegedly offered AEG an opportunity to split the contract. Moore reportedly told AEG that he would have Phase IIA canceled if they did not 'play ball.' AEG refused and reported Moore's comments to USPS officials.
- During the period August 1985 to April 1986, REI continued to undermine the competitive testing program via the media and Congress.

* * * * *

UNITED STATES POSTAL SERVICE
POSTAL INSPECTOR
SPECIAL INVESTIGATIONS DIVISION
WASHINGTON, DC 20260-2112

Date: February 18, 1988
REF: IS010:MCHartman:sh
Case No.: 461-0901714-F(1)
Subject: DETAILS OF THE OFFENSE
To:

Introduction

The purpose of this memorandum is to detail evidence of William Moore's, Robert Reedy's and Recognition Equipment Inc.'s knowing and willful participation in: (1) a conspiracy to defraud the U.S. Government (USPS) of the loyal and faithful services of Peter E. Voss, and its right to conduct a fair and unbiased automation procurement (Title 18 USC 371); (2) bribery (Title 18 USC 201) and a conspiracy to bribe a government official; (3) use of the U.S. Mail in furtherance of a fraudulent scheme to obtain a multimillion dollar USPS contract (Title 18 U.S.C. 1341); and (4) aiding and abetting (Title 18 USC 2) the above listed offenses.

Key Players

William Bolger	–	Postmaster General (PMG), 1978-1984 (retired)
Frank Bray	–	REI Manager, Postal Programs
Jack Brooks	–	U.S. Congressman (Texas)

Paul N. Carlin	–	Postmaster General, January 1985 - January 6, 1986 (fired by Board of Governors)
Albert Casey	–	Postmaster General, January 6, 1986 - August 1986 (hired by Board of Governors as interim PMG)
William Chapp	–	Effective July 12, 1985, replaced Jellison and Strange as the USPS day to day manager of Automation Program
Phil Colquhoun	–	REI Vice President, Manufacturing
Robert Crandall	–	Al Casey's successor at American Airlines, REI Director
Edie Fraser	–	Officer of Miner and Fraser Public Affairs Inc., a Washington, DC, PR consultant that leased space from GAI, traded clients with Spartin and obtained USPS contracts to: (1) manage PR relative to appointment of Casey as PMG; and (2) conduct an audit of USPS Communications Department.
Martin Frost	–	U.S. Congressman for REI's district
John R. Gnau	–	GAI chairman; owner of Gnau and Associates Inc. (GAI)

Neal Gregory	–	Hill and Knowlton consultant who worked closely with REI (Moore) relative to USPS and Congress
David Harris	–	Secretary, USPS Board of Governors
James Jellison	–	Senior Assistant PMG (SAPMG)-Operations Director of USPS Automation Program
Michael B. Marcus	–	GAI Vice President, Treasurer
Bonnie Mclellan	–	Texas Congressman Martin Frost's Legislative Director (1981 - January 1985)
William G. Moore	–	REI President and Chief Executive Officer (3/1/82) and Chairman of the Board (2/28/85); member of four man REI Management Committee
Ruth O. Peters	–	Member of USPS Board of Governors and Chairman of the Technology Committee
Sharon Peterson	–	Peter Voss' executive assistant and officer of Decision Systems Inc. The USPS reimbursed Voss for work Peterson reportedly performed on behalf of Board of Governors ($600 per month).
Robert Reedy	–	REI Vice President, World Wide Marketing; member of

four man REI Management Committee

Ray Renola	–	retired USPS manager; and consultant to REI during 1984
Israel Sheinberg	–	REI Executive Vice President and member of Management Committee
William Spartin	–	GAI and MSL International Consultants Inc. (MSL) President
Jackie Strange	–	Deputy PMG for Carlin and Casey
Peter E. Voss	–	Member, USPS Board of Governors, Technology and Development, Contingency and Planning and Resource Committees; owner of Decision Systems Inc.

* * * * *

ARGUMENTS FOR INDICTING THE CORPORATION

GIVEN:

WILLIAM G. MOORE, JR. REI's Chairman of the Board, Chief Executive Officer and President, actively oversaw the USPS marketing effort.

ROBERT W. REEDY, REI's Senior Vice President for Marketing, a member of REI's four man Management Committee and Moore's right-hand man, was responsible for day to day activity.

REEDY, in writing, proclaimed that the USPS MLOCR contract was "far and away" his number one marketing priority.

REI, the corporation, stood to gain a great deal if awarded a USPS MLOCR contract.

CONCLUSION:

This is a case of an underlying corrupt corporate management strategy to obtain USPS business rather than the isolated and independent overzealous actions of two corporate officers.

BASIS:

1. Independent of Voss/GAI actions, the corporation and its PAC funded a media and political campaign to discredit USPS management and cause financial harm to USPS, for example:

a. staged questions and testimony before Congress

b. Frost amendment to freeze USPS appropriations bill.

2. Corporation, with knowledge and consent of General Counsel and Chief Financial Officer, bankrolled three-man Michigan firm based primarily on their relationship with Voss, a government official, as follows:

a. $295,000 cash

b. 1% contingency fee (potential $4 million)

c. $16,000 non-refundable monthly draw

d. $6,000 per month for Spartin's USPS personnel influence (disguised as general PR contract).

3. REI officers have been less than candid during interviews and grand jury appearances:

a. Barker - PR contract

b. Sheinberg - significance of USPS business

c. Colquhoun - circumvention of Phase II-A contract

d. Kelly - MSL.

4. On April 8, 1986, in the presence of REI General Counsel, REEDY

lied to Postal Inspectors relative to his introduction to GAI. REEDY advised the Inspectors, at first, that he could not recall and then attributed the introduction to a third party. REI has since reported that the General Counsel was aware, at the time of the interview, that Voss had introduced Reedy to GAI. Neither REI nor its General Counsel voluntarily corrected the lie.

5. REI and its counsel agreed to the interview of MOORE, REEDY and Bray only under the terms of a Kastigar letter and 3 1/2 months after the interview was requested.

6.

REDACTED Rule 6e Materials

7. REI endorsed Moore's actions by awarding him a 1986 compensation package which exceeded $1 million and a January 1987 cash bonus in excess of $400,000. The corporation's net income approximated $10 million.

8. The REI Board of Directors has made no move to investigate MOORE and REEDY's activities or to take appropriate action. MOORE's diaries, on their face, reflect knowledge of USPS proprietary information, inside policy and personnel deliberations, and Voss' relationship with Gnau ("wired"). When interviewed, the Directors denied such knowledge.

9. A 1977 grand jury investigation disclosed that a REI consultant entertained USPS officials to obtain confidential information. He reported the nature of his expenses and information gathered on his expense vouchers. REI directed him not to include the names of USPS employees on his vouchers, but he continued to present the information gathered. Postal employees were fired, but prosecution was declined.

STRATEGIC REASONS FOR INDICTING THE CORPORATION

1. Admissibility and probative value of evidence:

a.

REDACTED Rule 6e Materials

b. Marcus, Gnau et al in some instances can conclusively testify that REI (Moore, REEDY and/or Bray), but not MOORE or REEDY individually, were aware of Voss' corrupt actions and the exchange of confidential USPS information.

c. The most critical Marcus/REI authored document and its transmittal letter, which reflected its surreptitious submission to USPS as Voss' independent work product and Technology Committee recommendation, was definitely shown to Bray.

2. If we indict the corporation the USPS and Civil Division of the US Attorney will have greater flexibility and likelihood of success in pursuing civil remedies and penalties against REI.

3. Indictment of the corporation will furnish the government a lever for plea negotiations.

4. Indictment of the corporation will send a proper and needed message to Corporate Directors and Officers that engage in or are considering the corrupt purchase of government influence via third party consultants, and will promote an active stewardship function by Corporate Boards.

Even where no single employee had knowledge that all elements necessary to complete the offense had occurred, a corporation may nevertheless be found criminally liable because the "collective knowledge" of all its employees is imported to the corporation. *United States v. T.I.M.E. - D.C., I 381 F. Supp. 730, 738 (W.D. Va 1974),*

Island Freight v. United States 191 F.2d 313 (10th Cir. 1951).

State of Texas

Dallas of County

AFFIDAVIT OF WILLIAM G. MOORE, JR.

I, William G. Moore, Jr., state that the following affidavit is made based on my own personal knowledge based on information I know, saw, heard or experienced, and is true and correct as written.

1. I reside at 4720 Northaven Road, Dallas, TX 75229. My date of birth is April 12, 1939. I am under no legal disability which would render me incompetent to make this affidavit.

2. I am submitting this affidavit in opposition to the Motions of the United States and Postal Inspector Defendants for Summary Judgment.

3. I was born in Washington, D.C. My father was a private in the D.C. Fire Department, and my mother worked for the National Labor Relations Board. I graduated from St. Francis Xavier grade school in Southeast Washington and Gonzaga High School near Capitol Hill. I attended Georgetown University on a baseball scholarship (where I was captain of the team) and received a bachelor's degree in 1961.

4. Upon graduation from Georgetown in June 1961, I accepted a Regular Army (RA) commission, completed infantry officers' basic course at Fort Benning, Georgia and graduated from both Airborne and Ranger courses. I then reported to Schofield Barracks, Hawaii where I served as a platoon leader, rifle company commander and brigade operations officer during my three year assignment with the 25th Infantry Division. Deployments included Okinawa, Thailand and South Vietnam. My awards included the Army Commenda-

tion Medal, the Expert Infantryman's Badge and several unit citations won by my unit, the 27th Infantry "Wolfhounds."

5. In October 1965, I returned to the Washington, D.C. area and resigned my Army commission to take a job with the Chesapeake and Potomac Telephone Company of Maryland. I was recruited into the Bell System's Initial Management Development Program (IMDP), a fast track program designed to move successful participants to mid-management within 5-7 years time. Within a year, I was promoted and subsequently transferred to Bell Labs in Newark, New Jersey. Two years later, I was again promoted, thereby reaching mid-management in less than three years as compared to the anticipated 5-7 years. Two years later I left Bell Labs to begin a career in the commercial computer industry.

6. In the spring of 1971, I joined Boston-based Inforex, Inc. as their branch sales manager in Cincinnati, Ohio. During seven years with Inforex, I held jobs as branch manager, regional manager, manager of United Kingdom operations, and vice president, sales. I spent my last two years (1976-78) as vice resident-domestic operations. In 1978, I became president of another Boston high tech company, Infoton, Inc., and directed its emergence from bankruptcy. I then joined the Perkin-Elmer Corporation, whose total sales were in excess of $1 billion, as vice president, general manager and corporate officer. Once again, my task involved turning around an under-performing business unit. Three years later, in early 1982, I was recruited to be the chief executive officer (CEO) of Recognition Equipment Incorporated (REI) in Irving, Texas.

7. My entire career focus since leaving the Army in the mid-1960's had been to progress through a series of sales, marketing and general management assignments with the goal of becoming CEO of a substantial, New York Stock Exchange (NYSE) company. REI was the culmination of that ambition.

8. There was considerable risk associated with REI at the time I joined it. The company had sustained a series of successive unprofitable quarters. Its balance sheet was heavily debt laden at a time when interest rates were in excess of 20%. The company's product line was outmoded. As only the third CEO in REI's 20 year history, my job was to turn things around quickly by cutting losses, jettisoning unprofitable products and returning the company to positive cash flow. The turnaround in REI's fortunes was remarkable. The company returned to profitable operations in October 1982 and proceeded to put together a string of 22 consecutive profitable quarters. The company's stock went from a low of $3.50 to $23.50. Record profits were recorded in both fiscal 1986 and 1987.

9. Because of my highly visible leadership style, I was accorded an inordinate measure of credit for the company's performance. REI's Board of Directors, facing a possible bankruptcy 18 months earlier, renewed and extended my employment contract in 1983 and paid me performance bonuses in excess of $400,000 in two consecutive years. They voted me numerous perquisites and promised others. The local and national media took note of what some referred to as the miracle at REI.

10. The May 21, 1984 edition of Forbes Magazine carried an article about Recognition Equipment entitled "Biscuits with Billy" (attached as Exhibit 1)

which included the following excerpt that accurately described my practice at REI:

> "Two years ago William G. Moore Jr., the new president of Recognition Equipment Inc. of Irving, Tex., began having breakfast several times a week with the company's blue-collar workers. The breakfasts quickly became known as 'biscuits with Billy.' The idea was to boost morale. Recognition, for nearly two decades the leader in machines that can read data through optical scanning, was on the verge of bankruptcy, burdened by overexpansion, poor marketing and careless financial control.
>
> These days Moore still drops in for breakfast, but the food tastes better. In the fiscal year ended Oct. 31 Recognition earned $9.6 million on $117 million in sales. In January it finished its seventh straight quarter of earnings gains with net of $1.1 million, more than double the year-earlier figure, on a 17% increase in sales. Backlogs stand at $46 million. At a recent $13 7/8 a share, up nearly fourfold in two years, Moore's stock and options are worth over $1.7 million.
>
> He earned it, too: Few turnarounds owe so much to a single executive."

11. In 1983, I was asked to be chairman of the Dallas Mayor's High Technology Task Force. In 1984, I was honored as Dallas/Ft. Worth Businessman of the Year. In 1985, I was elected Chairman of the American Electronics Association (AEA), the largest computer and electronics trade association in the world. In 1987, President Reagan appointed me to the Advisory Committee For Trade Negotiations (ACTN) made up of the

CEOs of some of America's most prestigious companies including IBM, 3-M, Boeing, etc. ACTN was chaired by James Robinson of American Express and interfaced directly with the United States Trade Representative Clayton Yeutter. I was invited and agreed to join numerous public interest boards, including the Boys Club of America, Boy Scouts of America, and the Public Broadcasting System (KERA-Channel 13) in Dallas.

12. In 1984, I was elected one of 25 Directors of the Dallas Chamber of Commerce with responsibility for promoting the technology portfolio for Dallas, including companies such as EDS, Texas Instruments and GTE. I participated in numerous foreign trade missions representing Dallas.

13. In 1986, I was honored along with football legend Roger Staubach as a recipient of the Shining Award for contributions I made to enhancing the positive public image of Dallas around the country and the world. During the Republican National Convention held in Dallas in 1984, I was chosen to give a nationally televised welcoming address to the 84 foreign ambassadors who had come to Dallas to observe the Convention. As a result of this and other community involvements, my name was mentioned as a serious, future political candidate.

14. In early 1985, the U.S. Attorney in Washington, D.C. and various agents of the U.S. Postal Inspection Service began an investigation of REI which almost four year later was to culminate in the indictment and trial of me, REI's vice president of marketing and REI on charges of conspiring to defraud the USPS in the procurement of automated mail sorting equipment.

15. REI made, among other things, equipment that could scan or read characters and process the information. This type of OCR scanning equipment was the kind that the USPS was interested in pursuing. This represented a very large potential market. I was concerned that REI seemed to be having little success with the USPS.

16. Shortly after my arrival at REI in March 1982, I asked for a meeting with then Postmaster General, Bill Bolger. This was to be the first of several such meetings, including social contact between Mr. & Mrs. Bolger and my wife and me over the ensuing years until Bolger's retirement. I told PMG Bolger that I couldn't understand, given its technology and the $50 million spent by the USPS on R&D conducted by REI, why the USPS hadn't ever awarded REI a production contract. I explained REI's financial predicament and that one of the options I had to consider was disbanding the company's substantial postal engineering group. Bolger said he thought that would be a mistake for both REI and the USPS and urged me to continue to pursue postal contracts. He said it would be a shame if the only United States developer of mail sorting technology were to abandon the market. I agreed with him.

17. At this time, the PMG's right-hand man in automation matters was James Jellison. Initially, Jellison echoed the PMG's encouragement for REI to stay the course. Throughout 1982 and 1983, I tried to repair the relationship between REI and USPS so as to position REI to win a major competitive procurement.

18. Using USPS research and development funds, REI had developed what was arguably the world's finest multi-line optical character reader (MLOCR). This multi-line technology offered a means for the

USPS to fully implement the proposed ZIP+4 without having to persuade large commercial mailers to convert their mailing lists to ZIP+4. Five REI multi-line machines had been successfully tested in "live mail" situations around the country. Given their superior performance characteristics, multi-lines were no more expensive than the less sophisticated single-line machines. And as an added inducement given PMG Bolger's self-proclaimed "Buy American" bias, REI's multi-line machines were designed and built in the United States whereas every single-line machine was of foreign design and would have to be manufactured under license by American companies.

19. Much to my surprise, PMG Bolger announced in late 1983 that there was no future for multi-line technology in the automation plans of USPS. It was reported to me by Robert Reedy, vice president of REI, that REI would not receive any USPS business.

20. At this point, the relationship between Mr. Bolger and myself took on an acrimonious caste. I candidly told PMG Bolger that I thought single-line was an unsound strategy, that I believed he had deceived me back in 1982 relative to REI prospects and that I intended to go directly to his Board of Governors and the U.S. Congress to try and stop the single-line ZIP+4 implementation. I could see that Bolger was upset with my criticism. Bolger repeatedly asked me to "back off" and promised that there would be an assessment by the independent Office of Technology Assessment (OTA) and that there would be studies by the General Accounting Office (GAO) which would vindicate his position. Jellison became even more strident and told me on several occasions that REI would never get any

multi-line production awards while he had anything to do with the USPS.

21. Eventually, I personally contacted members of Congress regarding the dispute with USPS, including Senator Russell Long and Representatives Richard Gephart, Martin Frost, Mickey Leland and Jack Brooks, and testified before Congressional committees regarding the single-line, multi-line controversy. As is seen in my June 30, 1983 correspondence with Senator Long and Representative Frost, attached hereto as Exhibit 2, I openly questioned why USPS would choose technology that was not only inferior but was also designed and manufactured outside of the United States. I continued to push for Congressional support of REI's OCRs from 1983 through 1986, including my work with Rep. Frost on a "Buy American" amendment to a USPS appropriations bill in 1985 that, if passed, would have enabled REI to secure a contract for MLOCRs. Bolger, Jellison and USPS management were aware of my sharp criticism and that I had taken the matter to Congress. Eventually, the USPS adopted the multi-line standard for ZIP+4 automated mail sorting.

22. In addition to my congressional lobbying activity, I spearheaded a media campaign at REI that openly questioned the USPS procurement policy of pursuing single line OCR technology. This media campaign continued between 1983-86, and I took every available opportunity to make REI's case public.

23. During 1985, REI entered into a consulting agreement with the consulting firm of Gnau and Associates, Inc. (GAI). This firm was first recommended to us by USPS Governor Peter Voss. We believed that this was a knowledgeable and reputable firm. Eventually

we learned that GAI's principals, Mr. Gnau and Mr. Spartin had been involved in an illegal kickback scheme with Peter Voss (the USPS Governor who had recommended them to us). I had no knowledge that GAI and its principals were engaged in this scheme when we hired them or while they were consulting for us.

24. In mid-December 1985, I learned that William Spartin had obtained a contract from the USPS to search for candidates to replace Paul Carlin as Postmaster General. Prior to this time, I had no knowledge that the BOG was considering replacing Carlin or that Carlin was going to be replaced as the PMG.

25. At some point during 1985, REI was contacted by agents of the USPS who said they were conducting an investigation regarding certain alleged irregularities in the procurement processes of the USPS. I made the determination that REI and I would fully cooperate in the investigation. The investigation continued and resulted in a grand jury investigation. USPS agents participated in assisting the U.S. Attorney's Office in conducting the grand jury investigation which resulted in an indictment being returned against me, REI and another REI employee in October 1988.

26. In July 1986, Robert Reedy, Frank Bray and I agreed to interviews conducted by Assistant U.S. Attorney Valder, and USPS inspectors Korman and Hartman at USPS Headquarters in Washington, D.C. We were told that we would be asked a few questions. Our lawyers said no special preparation was required and advised us to just answer all questions fully to the best of our recollection. The interviews would be brief and fair. Instead, I was grilled for more than three hours concerning, among other things, telephone call

message slips from 1984. As instructed, I answered every question to the best of my recollection.

27. During their investigation, neither the postal inspectors nor AUSA Valder ever questioned me about the meaning of any notes that I kept in my notebooks that were produced to the government as part of the grand jury subpoenas the were served on REI. For example, they never tried to find out from me what my notes concerning "consultant–wired (Peter Voss)" meant, nor did they ask what my notes meant concerning the discussions that I had with REI employees about the grand jury investigation and interviews that many of the employees would be participating in. I was similarly never asked to explain why various pages may have been missing from one of my notebooks.

28. The notation "consultant–wired (Peter Voss)" that is contained in my notebook that was turned over to the government during the investigation was my way of referring to the fact that Gnau was politically connected to Voss. It was my understanding that Gnau and Voss were political acquaintances and that Gnau was politically well-connected to the Reagan administration. My reference to Gnau being "wired" had no nefarious meaning or context and was a term of art that I had used—and that I had heard others use as well—on many occasions in referencing the political connection or relationship between individuals.

29. I never agreed with William Spartin, Peter Voss, John Gnau, Michael Marcus or anyone else at any time to cover-up or conceal any information from the Postal Inspectors or the government. Nor did I ever agree with anyone to destroy any documents at any time.

30. After the indictment, at the insistence of the Assistant Postmaster General for Procurement, I was put on leave of absence from REI, despite what I thought was my entitlement to the presumption of innocence. REI was forced to do this even before trial in order not to be financially crippled by a suspension from government contracting. USPS alternately insisted that my employment be terminated, that my legal fees not be paid by REI, that I not be able to profit from any appreciation in REI stock, that I lose all my CEO perquisites, etc. As a result of USPS pressure and an attempt to get REI's suspension lifted, the REI Board of Directors was forced to rescind my fiscal 1989 salary increase, reduce my fiscal 1988 bonus, eliminate my fiscal 1989 bonus participation, take away my company car, remove my privileges and disallow company paid telephone privileges. Worse yet, USPS insisted I have no contact with or participation in the management processes of REI. I was exiled from REI's headquarters campus and instructed to have no contact, professional or social, with those with whom I had worked so closely for eight years. The USPS took all of these actions directed at me before I had been proven guilty of anything. In the end, notwithstanding the efforts to placate USPS and despite acquiescing to all these demands and more, REI was still not allowed to bid on USPS automation contracts.

31. During the course of the government's investigation, my personal financial records and those of my wife were checked going back at least 18 years, and we were subjected to other surveillance activities, includeing a "mail cover" on mail delivered to my home address.

32. The indictment of REI was brought on October 6, 1988. I took a forced leave of absence from the company on October 20, 1988. The trial began on September 27, 1989. Federal Judge Revercomb dismissed all charges against me on November 20, 1989.

33. Largely as a result of the lengthy investigation and indictment, REI stock dropped from $22 to $5. I owned more than 100,000 shares. During the preparation for trial, The Prospect Group launched a hostile takeover attempt. Three weeks before the Judge's decision, there was a change of control at REI which never would have occurred had there not been an indictment. As a result, even though I was acquitted and REI was exonerated, I lost my job. In the three years prior to the indictment, my average compensation from REI was more than $1 million per year. The value of my stock ownership in REI declined from $2 million to $500,000. My stock options decreased in value by another $2 million.

34. Because of the indictment, I lost my job and leadership of the company I had rescued from the brink of bankruptcy six years earlier. Following my acquittal I started my own consulting business and, in December 1995, became Chief Executive Officer of USDATA Corporation, a publicly traded software firm in Richardson, Texas. In March 1997, I left USDATA and returned to my consulting business. None of the positions I have held since 1988 have been on the same "level" in terms of salary and perquisites as I enjoyed while I was with REI. Moreover, while prior to the return of the indictment I believed I would have eventually been a candidate for CEO positions with well known, large high technology companies having annual sales in excess of $1 billion, now, search firms do not contact me

for such positions because Boards of Directors almost uniformly reject a candidate who has been indicted.

35. The ordeal of investigation, indictment and trial has exacted a terrible physical toll on both me and my wife. Shortly after being notified of the impending investigation in late summer of 1988, I was treated at the emergency room at Parkland Hospital in Dallas for symptoms which included dizziness and disorientation combined with oral bleeding. This was subsequently diagnosed as an acute stress reaction. My wife suffered from chronic insomnia combined with temporomandibular joint disorder (often called TMJ).

36. I saw that USPS management was angry that I was openly critical of their procurement decisions and I saw that this hostility became more acute when I pressed the issue with Congress, including testifying to a Congressional subcommittee. When I dealt with USPS agents during the investigation, I observed and was shocked by their hostility.

37. My W-2 income from Recognition Equipment for the calendar years 1983 through 1988 is shown in the table below:

1983	1984	1985	1986	1987	1988
$204 K	$395 K	$673 K	$580 K	$2.3 M	$763 K

This compensation consisted of a number of elements including:

- base salary
- bonus equal 2% of pre-tax corporate profit
- company benefits (health insurance, life insurance, company matching savings plan, etc.)

- stock options
- perquisites (car, clubs, etc.)
- executive supplemental benefits

My stock options included the following specific grants:

DATE OF GRANT	# SHARES	PRICE	EXPIRATION
3/01/82	22,200	$4.50	3/01/92
3/01/82	127,800	$4.50	3/01/92
3/08/93	9,000	$10.50	3/08/93
4/27/84	7,000	$13.88	4/27/94
11/15/84	20,000	$11.79	11/15/94
5/23/85	10,000	$9.88	5/23/95
1/23/86	6,500	$14.63	1/23/96
7/23/86	20,000	$10.20	7/23/96

38. Since my arrival at REI on March 1, 1982, the value of REI's shares, and hence the value of options on those shares, had steadily increased.

39. The performance of REI shares was based primarily on two factors: (1) reported earnings on a quarter-by-quarter basis, and (2) outlook for the company's future growth as measured by the price earnings (PE) multiple investors were willing to assign to the company's stock. As can be seen from the Wall Street Journal article "Heard on the Street" (attached as Exhibit 3), investors were very bullish on REI's long term growth prospects with or without contract awards from the USPS. Had REI not been indicted and instead been allowed to participate in competitive procurement for multi-line mail sorters, the company would today be prosperous and its stock price would

reflect its traditionally high price/earnings multiple. Instead, REI suffered significant losses in its last two fiscal years ('90, '91) prior to going out of existence, having been acquired by a smaller company.

40. REI's chief competitor in the OCR procurement process for postal contracts during the mid to late 1980s was Electrocom Automation, who had teamed with a German company called AEG Telefunken to manufacture OCR equipment.

I declare under penalty of perjury, pursuant to 28 U.S.C. § 1746(2), that the foregoing is true and correct. Executed in Dallas, Texas, on this *29* day of November, 2001.

/s/ WILLIAM G. MOORE, JR.
WILLIAM G. MOORE JR.

Forbes

Biscuits with Billy

Two years ago William G. Moore, Jr., the new president of Recognition Equipment Inc. of Irving, Tex., began having breakfast several times a week with the company's blue-collar workers. The breakfasts quickly became known as "biscuits with Billy." The idea was to boost morale. Recognition, for nearly two decades the leader in machines that can read data through optical scanning, was on the verge of bankruptcy, burdened by overexpansion, poor marketing and careless financial control.

These days Moore still drops in for breakfast, but the food tastes better. In the fiscal year ended Oct. 31 Recognition earned $9.6 million on $117 million sales. In January it finished its seventh straight quarter of earnings gains with net worth of $1.1 million, more than double the year-earlier figure, on a 17% increase in sales. Backlogs stand at $46 million. At a recent 13% a share, up nearly fourfold in two years, Moore's stock and options are worth over $1.7 million.

He earned it, too: Few turnarounds owe so much to a single executive. A cheerful Washingtonian, Moore, now 45, was recruited from Perkin-Elmer's minicomputer division in 1982 and charged with restoring Recognition. "I only took this job because I'm an incurable optimist," Moore quips. He needed to be, given the company's recent past. In 1964 Recognition's founders had patented one of the first optical character recognition (OCR) devices, which made electronics history by enabling machines to read and store data

directly from the printed page without a human keyboarder. Sales and earnings grew quickly as banks, airlines and oil companies lined up to buy Recognition's products to read checks, process tickets and sort documents. By 1969 the stock hit just over $100 a share.

But like so many electronics pioneers, Recognition failed to develop marketing and financial expertise to support its technical edge. Competitors such as IBM, and Burroughs, old hands in marketing and finance, began chipping away at Recognition's market. And, says Moore, Recognition's sales force had grown arrogant in its early success. By 1982 Recognition's share of the OCR equipment market had shrunk from a practical monopoly to one-third. While debt accounted for less than 25% of capital for most firms in the industry, more than half of Recognition's capital was borrowed. Worse, the debt mounted as the company borrowed $1.5 million a month to meet operating expenses. In his first days, Moore says, "People kept asking me when we were going to file for reorganization."

Instead of scuttling under cover for Chapter 11, Moore forced the company into shape. He eliminated marginal product lines, such as certain * * *

* * * * *

RECOGNITION EQUIPMENT INCORPORATED
POST OFFICE BOX 222307
DALLAS TEXAS 75222
TELEPHONE 214-579-8900
TELEX 73-0653

CARPENTER FREEWAY
AT GRAUWYLER ROAD
IRVING, TEXAS

[SEAL OMITTED]

Recognition

William G. Moore
President

June 21, 1983

Senator Russell Long
Russell Building, SR 221
1st and C Streets, N.E.
Washington, DC 20510

Dear Senator Long:

I very much appreciated and enjoyed the opportunity to exchange some relaxed conversation with you over breakfast last Thursday morning. I also value your admonition to communicate more effectively on issues such as the USPS procurement foreign mail sorting equipment. And I promise to propose solutions, not just more problems!

As I mentioned during breakfast, I plan to become more active in the political process and hope to have the opportunity to see you from time to time and perhaps glean some counsel.

Again, I was pleased to meet you and feel free to call upon me should you need any help from a "transplanted Texan".

Respectfully,

/s/ BILL MOORE
BILL MOORE

bcc: Congressman Martin Frost
Neal Gregory

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[SEAL OMITTED]

Recognition

William G. Moore
President

June 22, 1983

Representative Martin Frost
Longworth Bulding, Room 1238
Washington, DC 20215

Dear Martin:

Last Thursday morning I was invited, along with nine other industry spokesmen, to have breakfast with the Senate Finance Committee. During the course of a "spirited" rap session concerning problems of international competitiveness in electronics, I had the opportunity to cite the example of REI's problem with the Postal Service.

Almost to a man, the rection of the Senators was surprise and dismay at foreign procurement of mail sorting gear. Russell Long was particularly animated on the issue saying in effect, "Why don't you boys tell us about things like this?" There were modest pledges of potential support from several other Senators.

In short, I'm becoming more convinced of the need to pursue this issue strongly. To that end, I'm drafting a fairly lengthly letter to you, recapping the situation,

and asking you to have the USPS "show cause" as to why they should not reevaluate its automaton plans based on the current technology available from REI. I hope have that letter in your hands by July 1st.

Look forward to seeing you on your return to Dallas over the July 4th weekend.

Regards,

/s/ BILL
BILL

bcc: Neal Gregory

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IRVING, TEXAS

[SEAL OMITTED]

Recognition

William G. Moore
President

June 30, 1983

Representative Martin Frost
Longworth Bulding, Room 1238
Washington, DC 20215

Dear Martin:

Permit me to distill a great deal of detailed analysis and professional soul-searching into a few short pages. I'll conclude with some specific requests for your assistance. Throughout I have attempted to be scrupulously objective despite the natural bias I feel as chief executive officer of REI.

The United States Post Office (USPS) has embarked on an automation program using the ZIP + 4 scheme. REI strongly supports Zip + 4 coding. It furnishes an excellent technique to minimize the amount of time the individual letter carrier requires to sort and bundle mail prior to setting out on his/her route.

In fact, for the past 12 years REI has invested thousands of man hours of engineering talent and over $75

million in USPS research funding to perfect a full address reading OCR capability designed to automatically generate ZIP + 4. The machine you saw in operation recently at the Dallas Post Office ReadCodesSort-OCR (RCSOCR) is the culmination of that R & D effort. As you know, five (5) RCSOCR's have now been accepted by USPS and are fully operational in live mail sorting environments in Dallas, New York, Chicago (2) and Philadelphia.

Despite the unqualified success of full address reading with ZIP + 4 generation, the USPS has elected to procure equipment which reads only one line of the address (city, state and zip code). This type of equipment requires the mailing public to affix nine-digit zip codes in order to achieve the high return on investment (ROT) which the USPS has used in justifying it's $800 million automation program. In addition, the equipment now being procured is of foreign design. It is being manufactured in the United States by Burroughs and Pitney Bowes under license from Nippon Electric Company (Japan) and Elsag (Italy) respectively. At a time when our country's technological leadership is being assaulted by all forms of international competition, it's puzzling to me that the USPS would procure foreign designed equipment whose technology does not match that of a domestic supplier.

The RCSOCR system designed and manufactured by REI in Dallas, Texas appears to offer a superior solution to USPS automation needs for two major reasons. First, since RCSOCR can read a full address and generate ZIP + 4, there is no need to inconvenience the American public by requiring them to learn to use ZIP + 4. Moreover, projected ROI on postal automation is virtually assured since there is no dependence on the public's conversion to ZIP + 4. Secondly, the RCSOCR (albeit more expensive than single line readers) is more cost effective per mail piece since it sorts twice as fast as the single line readers and has a lower reject rate given its ability to read a full address and calculate ZIP + 4 even if no zip code (5 or 9 digit) appears on the envelope.

Summarizing, the USPS must automate to control labor costs and hold postal rates in check. Sophisticated OCR equipment is the key to successful automation using ZIP + 4. RCSOCR is the product of 12 years of effort and over $75 million of USPS R & D funding. It is arguably the best piece of mail sorting equipment in the world today. It is American designed and manufactured. For reasons known only to USPS, it has opted for a lesser technology which is not state of the art. That inferior technology will require a massive and costly conversion to ZIP + 4 by the U.S. mailing public. That conversion, based on experience with the 5-digit zip, will proceed slowly and the automation ROI forecasted by USPS will likely not be achieved thereby placing continued upward pressure on postal rates.

Martin, if you consider the logic of my argument reasonable, I'd like to enlist your support in surfacing this issue in the House of Representatives. More specifically, I'd like you to ask Representative Bill Ford

to request that the GAO accelerate its update of the Nine-Digit Zip Code Report (GAO/GGD-83-24), providing conclusive comparison of full address reading (RCSOCR) vs. the single line read approach. More specifically, GAO should assess the performance of the newly installed REI (American designed), Pitney Bowes (Italian designed) and Burroughs (Japanese designed) equipment against USPS equipment acceptance criteria. It is our belief as of this writing that REI is the only vendor of the three to meet or exceed all such acceptance criteria.

Further, I'd like you to encourage Representative Ford and Representative Mickey Leland to have the House Postal Committee visit the Chicago Post Office where all models of the current automation equipment are installed and operating. This will provide a first hand comparison of the technologies in question.

Finally, I would like you to consider sponsoring legislation to delay public implementation of ZIP + 4 until such time as GAO can update its report and the USPS has had an opportunity to review and fully assess the OCR technology now available and its impact on postal automation.

It's important to recognize that a number of other issues could surface should you elect to involve yourself in this situation. Among them are the privacy aspects of ZIP + 4, the USPS's unwitting transfer of optical character reading (OCR) technology leadership to foreign suppliers, USPS procurement practices in general, etc. That said, I've been most pleased by your willingness to dig into this situation. Your reputation on Capitol Hill as a conscientious, bright and extremely competent young congressman with no particular axe to grind is well suited to the objectivity with which this

issue must be approached. I look forward to working closely with you.

Regards,

Bill Moore

P.S. Attached is a brief recap of the performance characteristics of REI's RCSOCR which should assist you in framing a rather complex subject.

bcc: Neal Gregory
Bob Reedy
Is Sheinberg

THE WALL STREET JOURNAL

TUESDAY, SEPTEMBER 18, 1984

Recognition Equipment Is Making Strong Bid To Investors With Vigorous Growth Campaign

By RHONDA L. RUNDLE

Wall Street is showing signs it may be ready to let a classic high-tech underachiever out of the doghouse.

Recognition Equipment was a hot stock in the late 1960s. But in the past decade and a half, it has been in a nearly uninterrupted nosedive. The company flirted with disaster by failing to fulfill its promise to translate technological know-how into marketable products, mounting sales and robust earnings. Disappointed institutional investors gave up on the company, which developed a reputation as a "job shop" that engineered products it didn't know how to sell. That stigma could be starting to fade, however.

"For the first time in the 24-year history of Recognition Equipment . . . we have sales people running the company," chief executive officer William G. Moore Jr. told an investor conference hosted by Montgomery Securities in San Francisco last week. Mr. Moore also stressed the proprietary nature of the company's optical character-recognition technology, which enables it to make machines that read and store data, documents and other images. The machines are used for such tasks as currency sorting, check processing and credit card billings.

The company this year is reporting record orders and improving profit margins, and is considering some potential strategic business partnerships. After 2 1/2 years at the helm, management says it has completed a

financial turnaround and is set to concentrate, in the next few years, on achieving 15% to 20% annual revenue growth and 30% to 40% annual earnings growth.

Heard on the Street

In the nine months, ended July 31, operating income was $4.1 million, or 53 cents a share, compared with $1.6 million, or 25 cents a share, in the year-earlier period. Net for the latest nine months, which included a $1.3 million tax-loss carry-forward, was $5.4 million, or 70 cents a share, down from $7.8 million, or $1.22 a share. The year-earlier nine months included a $5.8 million gain on the sale of land and a $430,000 tax-loss carry-forward. Revenue climbed 16% to $99.2 million

Even before Mr. Moore's presentation ended, a few money-managers in the audience rushed out to phone orders for the stock. The next day, last Tuesday, Recognition Equipment climbed 1/2 and traded more than nine times its normal volume of about 18,000 shares. Trading was extremely heavy the remainder of the week but slowed yesterday in a liquid market. Recognition Equipment closed yesterday at 14 1/2, down 1/2, in New York Stock Exchange composite trading. Since late July, the stock has moved up more than 50%.

"I rarely go to a conference and buy stock, but this one really intrigued me," said one of the fast-acting money-managers who bought the stock. "I visited the company over a decade ago and had lost touch with it," he added. The manager, who asked not to be identified, says he's asked an analyst to study the stock and may increase his position.

"We picked up coverage about a month ago and said we would start monitoring the company," said Jon Gruber, a technology analyst at Montgomery Securities. "Because of this meeting, we're much more positive on the stock and it's one we would recommend." Recognition Equipment has an advantage over many other high-tech companies because it hasn't many competitors, Mr. Gruber said.

Mr. Gruber estimates that the company will earn $1.05 a share from operations in fiscal 1985, up from an estimated 76 cents in the current year, ending Oct. 31. Fiscal 1983 operations earned 48 cents a share.

Otis Bradley at Alex Brown says the company could earn $1.30 a share next year if and when one of several "wild cards" or "mega-events" materializes. The company has hinted that it is in talks that could lead to a supplier relationship with International Business Machines and possibly other major technology companies. And the company says it's "putting the finishing touches" on a joint-venture with Light Signatures to develop non-counterfeitable labels for various products.

Although the stock has had a nice rise in recent weeks, it still is selling below its 52-week high of 17 1/2. Mr. Gruber and others think it will continue to move up as more people hear the story.

"I think there's the potential for the stock to go a lot higher than it is now," says Mr. Bradley.

The money manager who bought the stock at the conference says this process could be accelerated if Recognition Equipment decides to offer more stock, as Mr. Moore suggested might happen if the price reaches the 16-to-18 range.

However, one institutional investor who bought the issue earlier this year and has been adding to the position this summer says he would hesitate to buy more at current prices. Small technology companies are risky, he emphasizes. Based on his $1.05 a share fiscal 1985 operating earnings estimate, the stock is selling at a 50% premium over the market's current price earnings multiple of roughly 10 times earnings.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

No. 92cv2288

WILLIAM G. MOORE, JR., PLAINTIFF

v.

JOSEPH B. VALDER, ET AL., DEFENDANTS

No. 93cv0324

WILLIAM G. MOORE, JR., PLAINTIFF

v.

UNITED STATES OF AMERICA, DEFENDANT

DEPOSITION OF OF FRANK KORMANN

Washington, D.C.

Thursday, Feb. 17, 2000

Reported by:

ROBERT F. SAGER

* * * * *

[132]

A. I could guess.

Q. Give me a reasonable estimate, if you have one.

A. Ten to 15.

Q. And how about Mr. Spartin, how many hours did you interview him?

A. Mr. Spartin I would say maybe 40 hours.

Q. The primary issue in connection with REI, Mr. Moore and Mr. Reedy was whether, in fact, they knew about the kickback scheme that was going on between Voss, Gnau, Marcus and Spartin; isn't that right?

A. In terms of the conspiracy, yes.

Q. Knowledge was the key issue here, wasn't it?

A. Yes. There were other crimes that they were indicted for, but I think knowledge was key to most of those as well.

Q. When you interviewed Mr. Voss, he never told you that at he conveyed to Moore or Reedy, or anyone at REI, that there was a kickback scheme going on, did he?

[132]

A. I don't believe so.

Q. And Mr. Gnau never told you that he communicated to either Mr. Moore, or Mr. Reedy, or anyone else at REI, that there was a kickback scheme going on, did he?

A. There were some conversations between Mr. Gnau and Mr. Reedy that involved payments to Peter Voss, but I don't think, to my knowledge the word kickback isn't reflected in my notes.

Q. Isn't it true that Mr. Gnau when you interviewed him specifically told you that he never told Mr. Reedy about the payoffs that were being made?

A. My recollection is that he told him that he owed Peter Voss money, but that he did not say I have given Peter Voss $2500 in cash of the 10,000 that you have given me.

Q. In fact, do you recall that your notes that you took of your interview with Mr. Gnau specifically reflected that Mr. Gnau told you that he never told Mr. Reedy about the payoffs being made?

MR. MONTAGUE: Object to the form.

[134]

THE WITNESS: Well, my notes reflect what they reflect. I mean say—they are what they are. But my recollection is that John Gnau did not tell us that he had a discussion with Robert Reedy about payoffs and/or kickbacks to Peter Voss.

BY MR. KOCHER:

Q And he never told you that he had such a discussion with Bill Moore either, did he?

A. That's my recollection as well.

Q. Mr. Marcus never communicated to you that he told Bill Moore, Bob Reedy, or anyone else at REI about the payoffs that were being made, did he?

A. I believe that is correct.

Q. And Mr. Spartin never told you that he told Bill Moore, Bob Reedy, or anyone else at REI about the payoffs that were being made, correct?

A. The payoffs to Peter Voss?

Q. Correct?

A. I believe that's correct.

Q. In fact isn't it true that Mr. Spartin repeatedly said he never communicated that type of information to Bob Reedy, Bill Moore, or anyone else [135] at REI?

A. He said that on more than one occasion, correct.

Q. Were there discussions within the investigative team about the knowledge issue and whether Bill Moore actually knew about the payoffs that were being made?

A. There were discussions among the inspectors assigned, which would have been Hartman and myself at this point in the investigation, and the Assistant U.S. Attorney, who would have been Joseph Valder at this point in the investigation, concerning the evidence that we had gathered, and whether or not it pointed to knowledge on the part of William Moore.

And we had that discussion I'm certain more than once. And the result of the discussions were what I would describe as intensive research on the part of the U.S. Attorney's Office into the knowledge issue.

Q. What do you mean by intensive research?

A. I do recall a legal assistant, maybe two legal assistants working with staff at the U.S. [136] Attorney's Office to research what constitutes knowledge and what constitutes participation, et cetera.

Q. In fact, you had no direct evidence that Bill Moore knew about the payoffs; isn't that right?

A. Well, without defining words to everyone's understanding, it's fair to say that we did not have any one of the four co-conspirators, or five if you want to count Sharon Peterson, tell us that they had hold William Moore about the payoffs to Peter Voss.

Q. In fact no witness ever told you that, did they?

A. No witness told us that they had told William Moore about the payoffs to Peter Voss, that's correct.

Q. You understand the difference between direct and circumstantial evidence be don't you?

A. Yes.

Q. And is it fair to say that you had no direct evidence that Bill Moore was involved in the payoff scheme between Peter Voss, John Gnau, Michael Marcus and Bill Spartin?

[137]

A. Yes.

Q. The whole case was circumstantial, wasn't it?

A. The case involving William Moore or Robert Reedy or—

Q. The case involving Bill Moore.

A. Yes, I would agree with that.

Q. How many times did you interview Bill Moore in connection with your investigation?

A. Two or three times.

Q. Was one of those interviews done pursuant to a Kastigar agreement between Mr. Moore, Mr. Reedy and the United States Attorney's?

A. It was.

Q. What is your understanding of a Kastigar agreement?

A. At this point I cannot specifically recall the terms of the agreement or the letter.

Q. Generally speaking what is your understanding of what a Kastigar agreement is?

A. I do not recall at this point what that refers to.

* * * * *

[252]

Q. You understood back in 1987 and 1988, when you were doing these interviews of the REI board of directors, that REI and Bill Moore in particular had a right to go to Congress and engage in a congressional letter-writing campaign to try to get the Frost Amendment, or any other legislation passed in connection with the OCR equipment that REI was trying to sell to the Postal Service?

A. I would answer yes, that they had a right to petition Congress to do anything that they chose to petition Congress to do, within reason.

Q. Did you view the congressional letter-writing campaign as something that was improper by REI and Bill Moore?

A. I viewed the intended result to be improper.

Q. Why?

A. Because in fact the Postal Service was weighing the benefits of Recognition Equipment's equipment versus other competitors to determine which would best meet the needs of the organization, and Mr. Moore and Recognition Equipment were petitioning [253] Congress to basically require the Postal Service to buy their equipment.

And I would add to that that they were unsuccessful because—although I can't recall the specific words, they were unsuccessful because I believe it was one Congressman who recognized that this amendment would in fact require the Postal Service to buy equipment from Recognition Equipment, and that this perhaps was not what Congress' intent was in passing the proposed amendment.

So it did not pass.

Q. And that's why you believe it was improper for Bill Moore and REI to do this letter writing or this congressional campaign that they were doing?

A. To restate: I don't believe it was improper for them to petition Congress, whether through letter writing or a more general lobbying description to do anything.

However, the result that they were trying to obtain I believe was improper.

Q. During your investigation, Mr. Kormann, did you come to understand that Bil Moore and REI had a * * *

* * * * *

[583]

And one of the results of that, I think, was a communication from Bill Moore to Bob Reedy, you know, why are we dragging our feet on this issue, let's get this taken care of, let's get this underway, let's move on this.

Those are my words, but anyone would draw the same conclusion who reviewed those notes and communications.

Q. Do you have any explanation for me, Mr. Kormann, as to why the co-conspirators who either pled guilty or got an immunity from the government wouldn't be able to say—or wouldn't have told REI about the payments if in fact REI was part of the conspiracy?

MR. MONTAGUE: Object to form.

BY MR. KOCHER:

Q. In other words, we know from all the people you interviewed who are part of the conspiracy that not one of them said to you, I told REI payments were being made to Voss; we know that for a fact, correct? They never used those words, right?

A. That's correct.

* * * * *

[620]

Q. And do you recall that there were instances where Mr. Bray and his attorneys objected to language that you used and you would not let them change the statement?

A. We had some discussions, and again I cannot point to a specific issue at this time, but we had some discussions on words and phrases that not only were supported by our field notes, but at the time we specifically recalled Mr. Bray using those words in responding to our questions, or at some point during the interview. And in those cases we objected to a change of heart, let's say, on his part. We objected to him changing what he had stated the day before.

Q. I just want to make sure that we're clear about this. There were occasions, in your meeting with Mr. Bray and his lawyers, where he said I don't agree with the wording that you have used, the phraseology, if you will, I want to change it; and you as the Inspectors, you and Mr. Hartman, said, We're not letting you change that statement?

A. I can give you an example of how this interplay night have taken place.

[621]

Q. Sure, but can you answer my question first. That did occur, didn't it?

A. Not the way you described it. The interplay could have gone like this:

Mr. Bray takes an exception to a word, or phrase or sentence.

We would review our notes and say, Well, in fact this is what our notes say, and in fact don't you recall, Mr. Bray, that when we asked you that question, you did say those words.

And his response would be, Well, yes, I know I used those words and that was my answer, but I feel more comfortable saying it this way.

And so we would go back to him and reply, But those were the words you used; is that correct?

And says, Yes, those were the words I used, but I really would feel more comfortable if it read this way.

So in some cases we would make an amendment; but in other cases we would rely on the fact that those were the words that he used.

Q. Weren't there instances where they weren't [622] the words that Frank Bray used and you as the Inspectors insisted that the language remain the way you wanted it?

A. No, that's not true. There were times when the words that Mr. Bray wanted to use to amend the statement were not acceptable to us because they were in fact not his response during the interview.

And as you might expect his attorneys, strong advocates for Mr. Bray, objected to us not making the change based on what he was telling us at the moment.

And there had to have been at least one occasion, maybe two, where Mr. Valder was, if not brought in the room, at least consulted for his advice and guidance as to whether or not we would or should make the change.

And I cannot specifically recall if he came into the room and spoke to Mr. Bray's attorneys, but I do know that the result of all this was that a change or two that Mr. Bray wanted to make was not included in the statement.

Q. And if I understand what you're telling me [623] in terms of the reason you wouldn't let that change be made, is that you claimed on a prior occasion he had said something to you and the day that you were reviewing the statement he was saying something else?

A. The day before, not just on a prior occasion. It was the day before in the presence of his attorneys, during the interview that the statement summarizes.

Q. Weren't there occasions where his lawyer said, we were present, too, we didn't hear him say that? In other words, our notes reflects something different than what you're saying?

A. There were times when they stated that their notes reflected something different from what we were saying.

Q. Were there occasions, Mr. Kormann, where they stated, our notes and recollection differs from yours, we think it should be changed; and you said, No, we're not changing it?

A. It's difficult to recall exact words that his attorneys may have said or that I may have said. But the bottom line is that they did propose changes [624] to his statement that we did not agree to because they were different from the actual words that Mr. Bray had stated in response to the questions during the interview.

Q. To your recollection and to your notes? Based on dour recollection and notes, correct?

A. Correct.

Q. And in some of those occasions, Mr. Bray and his attorneys' recollection and notes reflected something different; correct?

A. That would have been what they stated at the time.

Q. And in some of those instances you said, We're not changing it, we're leaving the statement the way we think you told it to us based on our recollection and our notes?

A. In some instances, that's the result of our discussion, yes.

Q. Mr. Bray's lawyers were Ellen Huvelle and Chris Kearney, is that correct?

A. Yes, that's correct.

Q. From the law firm of Williams & Connolly
* * *

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[664]

So I would have no reason as an investigator looking at the full mosaic of evidence and activity in the case to conclude that they would suddenly mike a complete disclosure of everything to Mr. Bray. And in fact there's indication that they did not.

Q. You were selective in the information that you put into Mr. Bray's statement, weren't you?

A. I was selective in the sense that we had 50 pages of field notes, roughly 50 pages of field notes, and four days of interviews, and untold hours that were reduced to 22 pages of summary.

Q. And one of the things that Mr. Bray and his lawyers specifically told you during the interviews that they wanted included in that statement was what is reflected in page 9 of your notes, that to Bray's knowledge he saw no indication that Moore or Reedy knew of the money to Peter Voss; isn't that right?

A. They wanted us to include such a statement in his summary report.

Q. And you refused to do that, right?

A. It's not in there, that's correct.

ROBBINS: Testing for polygraph examination at Washington, D.C. on December 5, 1986, testing, testing, for polygraph examination, December 5 at Washington, D.C. December 5, 1986. I'm gonna tape record everything we do here today and you have had several polygraph tests, I understand, over the past five or six months.

SPARTIN: That is correct. I've had three.

ROBBINS: Three tests. When was the last test you had?

SPARTIN: Last week

ROBBINS: Did you take that over in Virginia?

SPARTIN: Yes sir, I did.

ROBBINS: How long did it take to do that?

SPARTIN: Oh, I guess from the time we started until I left about an hour.

ROBBINS: Your first name is William?

SPARTIN: William, yes sir.

ROBBINS: You have a middle name?

SPARTIN: Yes I do, Anthony.

ROBBINS: S-P-A-R-T-I-N? Where were you born?

SPARTIN: Chicago.

ROBBINS: When?

SPARTIN: October 5, 1929, makes me 57.

ROBBINS: Where do you live?

SPARTIN: I live at 10801 Stanmore, S-t-a-n-m-o-r-e Drive, Potomac, MD.

ROBBINS: How long you lived there?

SPARTIN: Since '75, 10-11 years.

ROBBINS: Who lives there with you?

SPARTIN: My wife and various children from time to time. We have four children. They have been in and out.

ROBBINS: And what's your wife's name?

SPARTIN: Cleo, C-l-e-o.

* * * * *

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SPARTIN: No, I did not overhear it.

ROBBINS: Did you or anyone at REI know that Peter Voss was getting paid as part of that thing?

SPARTIN: To my knowledge, no sir.

ROBBINS: You never discussed it with them?

SPARTIN: I did not discuss it with them.

ROBBINS: Were you ever present when anyone talked to them about Voss about getting any money?

SPARTIN: No sir.

ROBBINS: Was Peter Voss at any meetings with REI?

SPARTIN: He was never at any of our meetings with REI. No sir. Now I read in the documents that he had visited REI on different occasions. He suggested that REI hire John Gnau. But, I, what confuses me is that everybody is beating me up on this issue and I don't know what people want. I tell them but if they would talk to my attorney and tell my attorney, my attorney could tell me, then I could tell you what answers they want. I don't know.

ROBBINS: Well, what they want is they want to find out what you did and what you were told and you told others. That's all, you know just a simple matter of truth, you know what happened.

SPARTIN: But they got to ask a specific question then I could, you know.

ROBBINS: Sure I know, well.

SPARTIN: To my knowledge, REI did not know anything about bribing Peter

Voss nor did he know about the agreement in terms that Peter Voss was part of it.

ROBBINS: You didn't tell them.

SPARTIN: I did not tell them, no sir.

ROBBINS: You were never present when REI People discussed such a thing?

SPARTIN: No sir. I was not.

ROBBINS: You never overheard anyone tell anyone from REI . . .

SPARTIN: No sir.

ROBBINS: . . . that Voss getting money from John Gnau?

SPARTIN: No sir.

* * * * *

[22]

* * * my wife crazy by saying have Bill call me, I want him to do this and that. I need him. Umteen times he would drive my wife nuts to the point she says you're fucking crazy to get involved with this shit she said. And I told my wife everything by the way. My wife knew this whole bloody story right from the beginning, and I'll continue on about John McKean. John asked

me what about Paul Carlin, and I said I've been reading the newspapers. The letters come out about Paul Carlin, the newsletters. Morale is slipping at the agency. You had Jackie Strange over there digging Paul Carlin all the time. She had her own little campaign to get rid of Paul Carlin. I think Peter Voss put her up to that and I told John when John asked me what do you think about our Paul Carlin. I think Paul is a very nervous person. I told him I was reading all these articles and I said Jackie Strange is telling me he has lost control of the post office. So I told the Inspectors this that I had a conversation with John McKean, that I told him what I had heard. At that point it's when I suggested that they give him a chance to, I said you got to confront the man with his problems. I said you just can't do anything about it. You don't fire Postmasters of the United States. So they said okay Bill, we'll follow your advice and I don't know what happened. I understand they did sit down and give him some sort of performance appraisal. I never saw it and I never asked because, you know, it's not my business, and I kept trying to get John Gnau to back off and

back off all during the month of October. Every time I said to John, I said John, drop it. I said Jesus don't push this thing. I said let nature take its course. John said no, goddamn I want to get my money. So, I never had a conversation with McKean other than basically that. Now no one believes me. The Inspectors don't believe me. They think that John McKean, and I'll tell you something, John McKean is an ass hole. Sorry. And I have no love for John McKean and I'm not protecting John McKean. I could care less about John McKean. I don't care about John McKean. I'm looking about William A. Spartin, so why am I gonna protect John McKean.

ROBBINS: I agree with you. I don't blame you.

SPARTIN: Jesus, you know, and I don't give a hoot and hell about Bill Moore.

ROBBINS: Did you talk to Bill Moore about this? Did you get Casey's name from Bill Moore?

SPARTIN: I did, yes sir.

ROBBINS: What was the situation there? What happened there? Why, did you have any discussion with him

about Casey and why he would recommend Casey?

SPARTIN: I'll tell you how it happened and basically everybody's testimony supports this except John Gnau lied in his testimony to the grand jury. I started this assignment sometime around, I don't * * *

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* * * president of the Electronic Manufacturers Association and to get him to introduce me to companies in this country and outside of this country would have been the biggest coup in the world for me, you know, here's the president of REI calls up and say hey, Fred, I want you to meet Bill Spartin one of the top recruiters, I can get into see Fred who's chairman of the board or president of the company. I could have ended up with a million dollars worth of business out of that just by introduction that he could have given me. Now, I made notes because I was prepared to sit down and, I called Pierce and I said Pierce, I'm ready to talk about the 12, let's have a meeting and my notes are all prepared, and

they never called me back. I gave those notes to my attorney.

ROBBINS: You made those notes after the investigation started?

SPARTIN: After the investigation started, yes sir.

ROBBINS: You didn't make them at the time of the meeting or shortly after the meeting?

SPARTIN: No sir.

ROBBINS: Do you have any knowledge about whether anyone in REI knew Peter Voss was involved in this scheme to get them the sole source contract? Or was being paid?

SPARTIN: Let me answer you this way. Being paid, no sir, I don't. I have no knowledge of that at all. Peter Voss being part of the deal, no knowledge. But, you know I read that goddam testimony and I'm not a lawyer but Jesus, there's enough there to seem to me to hang REI from the yardarm. REI, Voss told REI to use Gnau and I didn't read this anywhere. John Gnau told me that and I told that to the Inspectors. They wanted to meet me before they did anything with John, so they came to Washington

sometime early on, I don't remember the dates, February, March, somewhere, it's in some calendar somewhere and Moore and Reedy sat across my desk and said to me, before we do business with you, or with your firm, we want to get to know you because John has praised you to the high heaven. I said well, you know, Peter Voss is a friend of mine, okay? I didn't say we were working together. I didn't say, I didn't know at that time that Peter Voss was, had signed legal documents and so forth with John, I mean I never saw those documents to this day. Then, it was a funny thing is that one day they were in town to do something, to go up to the Hill and I happened to be in town that day and I went over to say hello to them. As I was standing in the lobby of this building downstairs, who walks up but John McKean and the REI people are about 15 feet away and John comes up to me and John and I have a brief conversation and we shake hands and he, you know, was telling jokes and geez it couldn't have happened, you know, more precipitously and after that they just assumed that I knew John McKean very well also, and I got, Gnau said geez that's the best that ever

happened to us was to have McKean walk in at that time.

* * * * *

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ROBBINS: About this case, about this particular matter of the REI contract?

SPARTIN: No sir? I'm not.

ROBBINS: You have been forthcoming with all the information you got on that, and I'm not talking about some simple little detail or date or, you know, something like that? I'm talking about major facts that you have been questioned about and that you would be deliberately lying about on this polygraph test?

SPARTIN: No sir.

ROBBINS: Alright. (LONG PAUSE) Okay one of the questions I want to ask you, Bill, were you present when anyone in REI was told that Gnau was paying Voss to help REI get the post office contract and what was your answer to that question?

SPARTIN: Was I present? No.

ROBBINS: Do you have any knowledge that anyone in REI was told that?

SPARTIN: I only have my suspicions. I think between you and I and this wall that John Gnau was very close to Bob Reedy and John has a tendency to talk. John's a talker, can't keep a secret if his life depended on it. My gut tells me that John and Reedy are a lost closer than people think. So to answer that question, read it again to me.

ROBBINS: Okay, my question is, were you present when anyone in REI was told that Gnau was paying Voss to help REI get a post office contract?

SPARTIN: No.

ROBBINS: But your feeling is that John Gnau probably did.

SPARTIN: Yeah, I have a suspicion that there's more than meets the eye, that's what I'm trying to tell you.

ROBBINS: John Gnau, did he ever tell you that he told anybody at REI?

SPARTIN: John never shared, if you can believe this, here we were sort of friends, business friends, he never told me anything he was basically doing. John never told me about it. All John would say, he's handling REI. You know I wish I had been. I wish I could give them REI. Be-

cause I really think that they pulled a lot of cute tricks and they're sneaky people and I'll be damned if I can do it, and I'm not gonna lie.

ROBBINS: No. Well nobody wants you to lie about it, I mean that's not what we are here for, is it? We want to hear the integral facts of the case and if anybody in REI knew or if we can't prove it, then so be it. That's the way it is. We don't want any kind of a government action based on any false information or any false accusation or * * *

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ROBBINS: I know. Are you nervous about this test?

SPARTIN: It's just I'm more nervous about this one than anyone I ever had before. My heart is in my mouth, my mouth is dry, my heart is going blip. You probably see it over there. This is very nerve racking.

ROBBINS: Well, you're doing fine. Don't worry about anything.

SPARTIN: It's so bad I want to help, I just don't know how, that's the problem.

ROBBINS: Well, you can't help anything on this test. Just sit quietly and answer the questions.

SPARTIN: I don't mean just this test, I mean this whole mess. If I just could be more helpful.

ROBBINS: If you knew something on REI, you'd tell us.

SPARTIN: Boy, would I tell you, I got nothing to lose. It's stupid not to tell. Even John McKean, that man, has probably cut more side deals than anybody, but I can't make up a story.

ROBBINS: No, it wouldn't stand up you know. The Inspectors just don't take one person's word for something and act on that. They corroborate it.

SPARTIN: It's been nerve racking for me because my windows have been broken and I've gotten a lot of nuisance phone calls.

ROBBINS: Really? I haven't even thought about that part of it.

SPARTIN: I know these guys are not friends of mine, and I was warned by my attorney who said if you do this they aren't going to be nice to you. Boy they have been vicious.

ROBBINS: Well, it's a matter of survival. They may not survive if you give certain information.

SPARTIN: I've given what I had. My personal concern, I'll have to live with this. I didn't have the guts to do what I should have a long time ago.

ROBBINS: How's your arm feel?

SPARTIN: Anytime you're ready, sir.

ROBBINS: Don't want to be too hard on you here now, so any problems, you just let me know, alright? You sit still now, let's start the test. Were you born in Chicago?

SPARTIN: Yes.

U.S. POSTAL SERVICE ROUTING SLIP	DEPT., OFFICE OR ROOM NO.	☐ APPROVAL ☐ SIGNATURE ☐ COMMENT ☐ SEE ME ☐ AS REQUESTED ☐ INFORMATION ☐ READ AND RETURN ☐ NECESSARY ACTION ☐ INVESTIGATE ☐ RECOMMENDATION ☐ PREPARE REPLY
TO: 1		
2		
3		
4		
5		
FROM: DATE		EXTENSION ROOM NO.

REMARKS:

[HANDWRITTEN]

Zschau is running for Senator
so it looks like they are
trying to throw a little
dirt on him via REI.

Dave–
I hope we can get
this data on all "supporters"
on the hill both for the
investigation and for Bob's
report.

[ILLEGIBLE]

ITEM 0-13 (Additional Remarks on Reverse) U.S.O.P.O: 1984 334-2

Aug. 1976 (Formally Form 18)

Zschau sought postal work for firm now probed

By Deri Meimert

WASHINGTON - Rep. Ed Zschau, R-Los Altos, intervened twice in the past two years on behalf of a Dallas firm seeking a lucrative U.S. Postal Service contract that is currently the subject of three federal investigations.

Zschau, the Republican Senate nominee, wrote two letters in an effort to assist Recognition Equipment Inc. of Dallas in competing for a contract, which could be worth up to $500 million, to supply mail sorting equipment.

A federal grand jury here, the General Accounting Office, and the postal service are investigating the contract competition which was suspended in Jane.

The probes began came after Peter Voss, former vice chairman of the postal service governing board, pleaded guilty May 30 to federal charges of receiving illegal payment or kickbacks in connection with the Dallas company's lobbying efforts for the contract.

Zschau's Senate campaign committee received $4,500 in contributions from Recognition Equipment Inc.'s political action committee and current and former company officials in the past two years, Federal Election Commission records show.

Zschau, who denied any impropriety, told reporters yesterday he sent letters to the postal service urging officials to acquire the type of mail reading equipment developed by Recognition Equipment because he knew the company's president.

He said be wasn't trying to exert pressure on the postal service to choose the company over another.

"I really don't have any influence," Zschau said. "I did not represent the merits (of the equipment). I'm not in a position to make a technical judgment."

Zschau said he has made the same effort for companies in his Silicon Valley congressional district.

From December 1984 to December 1985, Recognition Equipment President William G. Moore was chairman of the American Electronics Association, a position held by Zschau in 1978. The association's chairman typically works closely with Zschau, who has played a prominent role on high technology issues since elected to the House in 1982.

The contract competition stemmed from a 1978 postal service decision to improve its automated letter sorting abilities by changing the ZIP code system from five digits to nine. Recognition Equipment, with more than $60 million in postal service funds, has been developing a multiline address reader that can scan a letter's address and assign a nine-digit code if one is not there.

Another Texas-based firm, Electrocom Automation, developed a single-line reader, that required the use of the nine-digit code, using technology licensed to a West German firm. The single-line readers were cheaper and in 1984 that company received a $194 million postal service contract.

In an April 2 letter to Postmaster Albert Casey, Zschau expressed an "ongoing interest" in the automation program for the postal service. He urged the postal service to "move ahead quickly" to acquire multiline address readers, since the expected wide-spread cor-

porate use of the nine-digit ZIP codes never materialized.

"I strongly oppose the U.S. Postal Service funding the development of competitive technology by foreign vendors, and I was deeply concerned to learn that such development contracts have been let," Zschau wrote in the April letter.

He also wrote a similar letter in 1984 to members of the governing board. Neither letter mentioned Recognition Equipment by name, but clearly described the technology it uses.

The company's political action committee contributed $2,000 in 1985 and $1,000 in 1986 to Zschau's Senate campaign. Moore contributed $580 in 1985.

Reid Dennis of Woodside, a member of the company's board of directors until 1983, has contributed $3,000 to Zschau's campaign since 1984.

"I don't think Ed knew they were giving a dime," Zschau aide Jim LeMunyon said. "I was the one drafting the letters and I didn't know about it.

"People are contributing to Ed Zschau because they think he is the kind of person who would make a good senator. . . ." LeMunyon said.

Recognition Equipment's PAC, established in June 1982, distributed $21,500 to political candidates in 1983 and 1984, an election year. The PAC contributed almost $18,000 in contributions so far this year.

Voss, a Reagan administration appointee to the board who co-chaired Reagan's Ohio campaign in the 1980 presidential race, pleaded guilty to taking at least $20,000 worth of payoffs in a fee-splitting arrangement with a public relation firms hired by Recognition Equipment.

August 11, 1986 FEDERAL TIMES Page 15

Congressman Tried to Swing Contract to American Firm

By J.P. Mackley

SAN FRANCISCO — A member of Congress tried to persuade the U.S. Postal Service on how to issue a muti-million dollar contract two months before former Governor Peter E. Voss pleaded guilty in a federal court to charges of taking bribes in return for attempting to influence the same contract.

Rep. Ed Zschau, R-Calif., a former electronics company executive who is currently running for the Senate, wrote a letter to Postmaster General Albert V. Casey April 2. Federal Times obtained a copy of the letter under the Freedom of Information Act.

"Although I fully appreciate the desirability of having multiple vendors to provide a competitive environment, I strongly oppose the U.S. Postal Service funding the development of competitive technology by foreign contractors," Zschau wrote.

Zschau asked Casey to "move ahead quickly" in adopting new optical character reading sorting technology, which is capable of reading four lines of address and printing a corresponding bar code on the front of an envelope."

Zschau said he was "anxious to do all I can to encourage its [the automation program] speedy implementation using existing American technology that can do the job today."

Only one firm in the running for what could amount to a half-billion dollar contract uses U.S. technology to manufacture the optical character readers. That firm is Recognition Equipment Inc., of Dallas. The other competing firm, Electrocom, also of Dallas, uses technology licensed by Telefunken West Germany.

Zschau's letter to Casey did not specifically mention REI. But Zschau's press

There were a number of fluctuations in the trading of the stock which coincide with Board of Governors meetings.

secretary Jim Lemunyon, told *Federal Times* July 21 that Zschau wrote the letter on behalf of REI. He said Zschau had been a friend of REI chief executive Bill Moore since 1979. At that time Zschau was president of the American Eletronics Association, a position now held by Moore.

Voss also used the "buy American" theme in his repeated attempts to persuade the board of governors to issue a contract to REI, according to court testimony.

Voss pleaded guilty May 30 to accepting $20,000 to $25,000 in return for attempting to steer the contract to REI. According to federal prosecutors, Voss conspired with John R. Gnau Jr. and William A. Spartin, principals is a public relations firm hired by REI at Voss' recommendation, to divide a 1 percent commission on the total contract amount.

REI's political action committee and Moore have contributed to Zschau's campaigns, according to Federal Election Commission records. Reid W. Dennis, a Woodside, Calif., businessman who was on the board

of REI through early 1983, and his wife also have made maximum contributions of $1,000 to Zschau campaigns. Dennis' most recent contribution was in June.

According to Zschau's press secretary, however, "Ed doesn't know Reid Dennis."

Dennis is a well-known contributor to Republican candidates and chairman of the board of Collagen Corp., one of the largest firms in Zschau's district.

[IMAGE OMITTED]
Rep. Ed Zschau

Dennis also is a member of the board of directors of GRiD Systems Inc., a computer manufacturer in Zschau's district which was awarded a $4.4 million contract May 1 to supply the postal service with microcomputers.

The Postal Inspection Service is currently investigating the GRiD Systems-contract as part of its study into postal procurement practices sparked by the Voss guilty plea.

Thomas W. Weisel, a partner in Montgomery Securities, of San Francisco, gave Zschau the maximum contribution in 1984.

According to Jon Gruber of Montgomery, a California brokerage house, the firm traded a major part of the REI stock sold during the period when Voss was trying to influence the equipment procurement contact. As disclosed ealier in *Federal Times*, there were a number of fluctuations in the trading of the stock which coincide with Board of Governors meetings when decisions critical to the REI contract were made.

There is no indication of any wrongdoing on the part of Montgomery Securities.

Postal Inspectors and the Securities and Exchange Commission are currently investigating whether there was insider trading involved in the Voss affair. Another congressman, Rep. Martin Frost, D-Texas, pushed a bill through the House Rules Committee last summer that would have required the postal service to enter into a $200 million contract with REI and eliminate Electrocom from the competition to supply the sorting equipment.

The bill was sidetracked by Rep. William D. Ford, Mich., chairman of the House Post Office and Civil Service Committee. Ford said at the time that the bill would have "put a gun to the head of the Postmaster General."

The PMG at the time was Paul N. Carlin, who was actively opposing Voss and Governor Ruth N. Peters in their attempt to give REI the contract. Carlin is now suing the board of postal governors, charging that he was illegally fired because he opposed Voss' illegal scheme.

John Williams, a freelance writer from Berkeley Calif., contributed to this report.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

No. 92cv2288

WILLIAM G. MOORE, JR., PLAINTIFF

v.

JOSEPH B. VALDER, ET AL., DEFENDANTS

No. 93cv0324

WILLIAM G. MOORE, JR., PLAINTIFF

v.

UNITED STATES OF AMERICA, DEFENDANT

DEPOSITION OF OF JOSEPH B. VALDER

Washington, D.C.

Tuesday, Feb. 29, 2000

Reported by:

ROBERT F. SAGER

* * * * *

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* * * with Mr. Bray and his counsel, to make sure that it accurately set forth the facts of the investigation to Mr. Bray's knowledge.

Q. His counsel was Ellen Huvelle, now Judge Huvelle?

A. Yes, and Mr. Kearney Christopher, I think.

Q. You made reference, I think, to an interview of Mr. Spartin where you tore up his immunity letter, or his nonpros letter; do you remember?

A. A copy of it, yes, sir.

Q. That was a preplanned session, wasn't it?

A. Yes, it was. Preplanned with my supervisors and the agents. Inspectors.

Q. Am I correct that Mr. Spartan and his attorney were asked to come to a meeting with you and various Postal Service Inspectors on the day in question?

A. Yep.

Q. And why did you want to meet with Mr. Spartin?

[337]

A. Because Mr. Spartin was in exceedingly great error as determined by objective fact in many of his recollections. The Inspectors and I did not

understand why he could not recall certain things where it was obvious that he was present and there and should have had some recollections, about two events in particular, although there were many more smaller things involved.

Q. Did you ever instruct Postal Service Inspectors—

A. You know, I don't think I finished the answer to my question.

There was this great mystery to us why he couldn't recall many things, two major ones in particular, and we needed to get to the bottom of it, to pursue the truth and obtain the truth for the grand jury, and make sure Mr. Spartin was complying with his nonpros agreement. So we scheduled this meeting.

Q. Did you ever have a circumstance where you instructed postal Inspectors to make someone say [338] something?

A. Not that I recall. By that description, no.

Q. Did you intend to intimidate or threaten Mr. Spartin on the day in question?

A. I guess it's a matter of definition.

If you had asked me at that time what my intent was, my intent was to get his attention, that he was not telling us the truth.

Q. You admit he was threatened that day?

A. You can use that word. I wouldn't particularly use that word.

I would say that I made a direct, blunt, candid approach to his mind to wake him up that he was not telling the truth.

Q. Were you aware at that time that he had been under the care of a psychiatrist?

A. I don't know whether I was aware at that moment. And at some point I became aware of that. Okay.

Q. Were you aware—

A. But I don't know that I was aware of it at [339] that time. And I would guess that I wasn't, because we really hadn't gotten very far with Mr. Spartin in a full recounting of his knowledge and circumstances at that time.

Q. Were you aware that he was under the care of a cardiologist or a heart doctor?

A. I don't think I was at, that time.

Q. Were you the one that planned what would go on at the session where a copy of his letter was torn up?

I guess my question is, whose idea was this?

A. I don't think it was the Inspectors. I remember that the Inspectors and I met with Mr. Block and Mr. Spivack—let me start this way.

I considered it my problem. The Inspectors were my investigators. They were, you know, pouring work into this. They had interviewed Spartin a number of times. They had gotten the REI records. They had bees through them.

You know, I don't know, I'm going to guess there was, you know, thousands of pages of REI [340] records. Gathering records from lots of places, trying to put together the reality of what had happened.

And I started hearing from the Inspectors that Spartin just isn't telling the truth. And they don't understand why.

The Inspectors I was learning at that time, only to learn better later, were absolutely A-plus Quality inspectors, diligent, bright, intelligent, high integrity, excellent, wonderful investigators. And they couldn't tell me why Spartin was having these problems. It was a major puzzle to us.

And so I talked to my supervisors about the situation, trying to get their ideas, suggestions, input, et cetera. And this then led to my saying to Block and Spivack, whether it was both of them or one of them, I don't remember for sure, that I suggested why didn't I have the Inspectors come in so the four or five of us could sit down and discuss the matter.

And so they said, sure, that was a good idea. And so the Inspectors came in and you know we [341] had—there later was a document dated November 13—I think that document was in

existence in the days, the week or two leading up to October 24 or 28, I can't remember which the date of the Spartin meeting was. But I think that document was in existence at that time.

And we discussed with my supervisors this amazing conflict that Spartin could not remember being at a meting at REI in Dallas in August of 1985, and that he could not remember being at a dinner celebration on January 9 of 1986, at the Madison Hotel here in Washington., D.C., with Moore, Reedy, Bray, Spartin and Gnau. That he could not remember being at these two meetings.

And so the Inspectors and I met with my supervisors—Oh, and I should add, when other people at those events, and notes of people at those events, including notes of REI employees and officers, showed Spartin being there. And recounting things Spartin had said at those meetings.

And so it's sort of like the thing I talked about this morning with the bank robbery where, you [342] know, you're the bank robber. We knew he had been there. It was absolutely clear, beyond any doubt whatsoever, objective fact, that Spartin was at these two meetings, but Spartin did not remember. At least he was not saying that he remembered. We were not getting from Spartin that he had been at these meetings, and I think he was denying being at the meetings.

Q. Well, let me just interrupt?

A. Excuse me, no.

Q. I think you've gone beyond the question. And I will let you finish the answer, but to be sure we all understand this, because this is going to be important when it goes to the jury.

Are you saying he denied he was at those meetings, or he had told the Inspectors he didn't recall?

A. No, he denied being at them. And so this was the puzzle.

And the Inspectors, you know, didn't have the particular feeling that he was lying, you know, that he was remembering being at them, but he was [343] saying, well, I wasn't there. I was not being told that they thought he was just stonewall lying.

But they couldn't understand why he couldn't remember being at these two meetings.

And so I talked to my supervisors. And I think—and this goes way back to the question I was trying to answer a little while ago. I think it may have been one of my supervisors' suggestion, you know. It was a consensus—you know maybe it's my suggestion.

You know, there was a consensus we had to do something very significant. We had to, as I said, my intent was we had to wake him up. you know, there's an image I have in my mind of, you know, shocking someone to get their attention.

And that's what we were trying to do. And with my supervisors' concurrence. Whosever idea it was. That I would tear up a copy of the plea agree-

ment, and tell him that because he clearly wasn't telling the truth, he was in danger of losing the benefit of his plea agreement. Or of his nonpros agreement.

* * * * *

[344]

And that was approved by my supervisors.

Q. Well, with all due respect, I move to strike that to the extent it's not responsive.

My question was: Whose idea was it?

A. And I have said I don't think it was the Inspectors' idea. It was one of the three prosecutors present in the discussion.

And if you told me I had to pick the person out of whose mouth that came, I would say it was mine. But it might have been Mr. Block or Mr. Spivack.

Q. It was Block, Spivack, or you?

A. Yeah, I think it was. And I think probably it was me.

Q. At the time when there was this immunity or nonpros agreement with Spartin, is it fair to say that what that meant is if he cooperated in good faith and gave you truthful testimony, to the limits of his recollections, that he would not be prosecuted?

A. Yes, that's what it says. And that's what happened.

[345]

Q. All right. Now, as a practical matter, if a witness who is the subject of one of those agreements doesn't cooperate, or lies to you, you can revoke the agreement; right?

A. Yeah. That's my understanding. And the agreement probably says that right in it.

Q. That was one of the options you had going into that meeting; right?

A. I believe so.

Q. Who else was present at the meeting where the copy of the letter was torn up?

A. I remember—you know, it's a large table. It's not as big or fancy as this table. It's probably two-thirds the size. Okay. And say the door is the position that the door is in your room here.

I remember sitting roughly where you're sitting at the table.

I remember Mr. Spartin and Mr. Gettings sitting on the opposite side of the table, roughly where Ms. McCarthy is.

I remember to my right, Frank Kormann and [346] Mike Hartman were seated to my right.

I have a recollection Dave Smith was there, but that's fuzzy.

And I don't have a particular recollection of anybody else being there, but there could have been somebody on the other side of Hartman and Kormann, on my right.

Q. Mr. Edwards was there, wasn't he?

A. I don't remember him being there. If he was there, I wouldn't disagree with it. If he says he was there, I wouldn't disagree with it.

Q. Anybody else?

A. That's all I recall.

Q. So it's Spartin and Gettings, and—

A. Hartman and Kormann, me, maybe Dave Smith.

Q. Okay. And by my recollection Mr. Edwards said he was there, testified to?

A. If he said that, then I wouldn't disagree with it.

Q. Did you arrange to have Postal Inspectors present?

A. It has been a religious point of my [347] procedures in working with witnesses as an Assistant U.S. Attorney that I never ever meet with a witness without agents present.

So I am sure that I wanted at least one agent present, since to the best of my recollection Hartman and Kormann were sort of the co-case

Inspectors, that I probably would have wanted both of them present.

And I don't remember who said what as to why Inspector Smith, if he was there, was there, or Inspector Edwards was there, if he was there.

Q. Do you remember discussion about asking for multiple agents to be there as a show of force, or something to that effect?

A. I don't remember those comments. If someone else remembers them, I wouldn't disagree with them.

Q. You didn't need that many agents—

A. You know, I would quibble with one word. Not show of force. Show of importance.

Q. You didn't need to have, assuming I'm right that there were four other agents there, you didn't [348] need to have all them there in order to deliver your message that Mr. Spartin was in danger of losing his nonpros agreement, was he?

A. No, I'm not sure that's right either. Because I think what we did that afternoon is we sort of gave him a catalog of the points on which it was our opinion he was not telling the truth, and I would have wanted probably any inspector who was at an interview where he said X or Y or Z, or who had studied the notes of Paula Ezernack, E Z E R N A C K, an REI employee sitting at the meeting at REI in Dallas in August of 1985 saying, you know, Spartin was there and Spartin said XYZ.

I think I probably would have wanted the people there who could explain to Mr. Gettings and Mr. Spartin that he wasn't telling the truth. Or I at least want them there to listen to whatever explanations were forthcoming from Spartin and Gettings, if any. If all those people were there. I might well have wanted them there for reasons such as I just described.

Q. Were the four or five of you trying to [349] intimidate Mr. Spartin?

A. The four or five of us were trying to wake Mr. Spartin up that he wasn't telling the truth and he needed to tell us the truth.

Q. How long did the meeting last?

A. My diary might answer that. My recollection, without refreshing my recollection from my diaries, is probably something in the range of an hour, hour and a half, two hours.

Q. You raised your voice at various points during the meeting, didn't you?

A. Probably above a conversational tone, just like my voice is a little raised right now.

Q. Is it fair to say you shouted at Mr. Spartin?

A. I don't think I shouted at Mr. Spartin, nor do I think I'm shouting now. It would be the same energized use of the English language to directly and effectively communicate to the listener my—the content of my words.

Q. Well, would it be fair to say that someone watching you that day said you raised your voice, [350] appeared angry, and then quickly ripped up the letter?

A. I think I probably raised my voice. If someone perceived my external manifestation as being angry, I probably wouldn't disagree with their perception of it. And that I ripped up the nonpros—a copy of the nonpros agreement. I did all those things.

And you should also understand, part of the planned approach with my supervisors was that I would tear up a copy of it. Not the original, because that document is sort of sacred to Mr. Spartin's rights, and to the government's interest. And that the copy that I tore up, that I would save for use at trial.

Because all of this was something that we knew would be subject to cross-examine at the trial, we wanted to preserve everything that happened, so one day defense counsel could do whatever they're paid to do on behalf of their clients.

As is always the case with refreshing recollection, that if you do that kind of thing you need to make sure you preserve it, so you can [351] accurately present it to a court later on.

Q. What did you do with the pieces of the copy of the letter after you tore it up?

A. I'm quite certain that I stapled them together and they were—I remember for sure they were an admitted exhibit.

Q. No, immediately after you tore it up?

A. I don't know.

Q. Did you throw them up in the air?

A. If we can pretend for a second, let's say, that I tear them up (indicating)—no, I don't think I threw them up in the air. I think I would have laid them on the table. Or held them in my hands for a while while I talked.

Q. Did you or any of the agents stand up at any time during the meeting, when you were trying to wake Mr. Spartin up, to use your words?

A. I don't remember particularly but it would not surprise me if I was standing when I tore it up. I think I would have had it in my hands, and as I was talking, to emphasize the point to Mr. Spartin and [352] Mr. Lettings, I think I probably stood and was in some sort of a position where my posterior was no longer in direct contact with a chair.

I don't recall being fully standing. I think I was probably in a rising kind of motion.

Q. Did you tell the Inspectors not to take notes of that meeting?

A. I might have.

Q. Had you ever, in any other circumstances in the REI investigation, told Inspectors not to take notes of a meeting?

A. I would guess I probably did as I've done in other cases.

Q. The meeting was not recorded, was it?

A. Nope. Not to my recollection it wasn't. Better not have been.

Q. Did you want to give Mr. Spartin the impression—you didn't tell him that it was a copy of the letter you were tearing up, did you?

A. I don't remember.

Q. Did you want him to think that you were revoking his agreement?

[353]

A. I could—My sort of reasoned recollection is that I would not have told him it was a copy. That I probably wanted him to think it was the original. Again, to wake him up.

Q. Do you consider the use of deception appropriate methods for an employee of the Department of Justice in the United States Attorney's Office to be appropriate?

A. Deception such as—if that's a word you want to use for this situation, I consider what I did in this situation to be absolutely appropriate. The law recognizes the use of ruses by investigative

agents, police, in questioning prospective defendants, defendants, witnesses, whoever.

I would guess the same law applies to what I did.

Q. Does the law authorize the use of ruses and deception by attorneys who are part of the United States Department of Justice, as opposed to police?

MR. MONTAGUE: Object to forms.

THE WITNESS: To my knowledge, the law authorizes it; as my supervisors approved it.

[354]

BY MR. POHL:

Q. Did you tell your supervisors that you were going to have four agents in attendance, that you were going to stand and raise your voice?

A. I would think that my supervisors knew that I was going to have the agents necessary, call it four, present. Because I have a rather firm recollection about the thing that I wanted whoever was present that would be useful in conveying to Mr. Spartin the situation he was in to answering questions, whatever.

What was the other part of your question.

(The record was read as requested.)

THE WITNESS: I remember—I have answered the part about the four agents. I remember discussing with my supervisors the fact that I

was going to do my best to get Spartin's attention as to the situation—Mr. Spartin's attention as to the situation he was in.

I don't recall that I discussed with them the concept of standing, or that I discussed the concept with them of raising my voice, although I'm * * *

* * * * *

[479]

Q. Were you trying at any time in this grand jury, trying to control the flow of information?

A. I was trying my absolute level best to make sure that proper evidence was presented to the grand jury.

Q. And that involved you and the Inspectors determining from time to time what you thought was the truth?

A. No. It involved the Inspectors and I deciding yeah, I would say that. What was the truth. We would not want non-truthful evidence presented to the grand jury. It's the heart of the whole Spartin refreshing his recollection situation, that we wanted to satisfy ourselves that the investigation was identifying truthful testimony and authentic documents to be presented to the grand jury.

Q. Now, you understood that the witness had a right to have counsel?

A. Sure, absolutely.

Q. And Mr. Bray chose to have Ellen Huvelle with him, and Mr. Kearney?

[480]

A. I don't know who chose.

Q. In any event, it was a situation where the witness had counsel and you were having to work with both of them?

A. That's correct.

Q. Okay. When you left at approximately 6 p.m. on the night of the 14th or 15th, whatever night it was where they worked late—

A. Right.

Q. —what instructions did you give Hartman and Kormann?

A. I probably didn't give them any instructions. They knew that our objective was to complete a truthful statement by Mr. Bray containing relevant information for the grand jury, relevant and competent and material information for the grand jury.

And I think I excused myself as quietly as I could, and apologized for not being able to be present that evening, and I left.

Q. Did you, or in your presence Inspectors Hartman and Kormann, give Mr. Bray and his attorney [481] the impression that this statement would be read to the grand jury as Mr. Bray's testimony?

A. I probably did.

Q. And when the negotiations—

A. The final agreed-upon statement.

Q. And you understood that there were passages that the Inspectors had originally drafted that Mr. Bray thought were misleading and he wanted removed?

A. I wouldn't use the word misleading. I would say—

Q. Or—

A. You know, I would say if you look at Deposition Exhibit 7, the draft—the typed draft in use on July 5th, there are many changes that Mr. Bray wanted that were made.

I don' t know misleading would be the right word. I would say accuracy would be the right word.

Q. Okay. There were some changes, you later found out, that Mr. Bray wanted made that Hartman and Kormann wouldn't make; is that right?

A. I think I later found out there were [482] changes that his attorney wanted made.

Q. Well, the attorney speaks for the witness in those circumstances; they're allowed to communicate with the government through an attorney, isn't a witness allowed to do that?

A. I think so. But—

Q. Did you resent that?

A. Of course not. But the fact that Ms. Huvelle is saying something, doesn't mean Mr. Bray wants it. And I think that it is unfair to attribute what Ms. Huvelle wants to be what Mr. Bray wants.

Q. At no time did Mr. Bray ever say, repudiate that whatever Ms. Huvelle was asking for?

A. No, not at all. Not to my knowledge.

Q. And there were some things that Mr. Bray, speaking for himself or through counsel, wanted inserted in his statement that Mr. Hartman and Kormann refused to put in, isn't that true?

A. I don't know exactly whose—you know, there is no knowledge, there is no information I have to say that if you're looking at the last paragraph [483] on Deposition Exhibit 7, that when Ms. Huvelle says that Frank Bray wanted that included in his statement, I don't know whether it's her conclusion or whether it's Mr. Bray's conclusion. I think it's sort of like the royal we.

Q. Well, if you're saying that she wanted something in that wasn't his testimony, are you accusing her of misconduct?

A. No, I am saying that when I came to work on the morning of July 16, 1987, as indicated in the margin, the Inspectors wanted to discuss with me and Ms. Huvelle the contents of the last paragraph.

That they wanted it in, and that the Inspectors had some difficulty and they didn't think

it was appropriate to have in because of, you know, whatever reasons they had. And I don't remember what they were at this time.

Q Well, it says, "Discuss with AUSA Valder," right?

A. Yes, it does.

Q. Whose handwriting do you think that is?

A. It's not real small and tiny, like most of [484] the other handwriting on the document. Which makes me a little reluctant to say, but I would guess it's Kormann's.

Q. You believe it's one of the two Inspectors?

A. Oh, for sure.

Q. Right. It doesn't say discuss with AUSA Valder and Huvelle, does it?

A. No, it doesn't.

Q. And you understand that that was a paragraph that Mr. Bray and Ms. Huvelle wanted included that Hartman and Kormann wouldn't include?

A. I understood at the time it was a paragraph Ms. Huvelle wanted included, and the Inspectors didn't.

Q. Okay.

A. Because of changes that they wanted as to where it had been from the day before.

Q. And when you left that negotiating session, if you will, the night before, had you given Hartman and Kormann authority to make agreements for you with regard to what would be in the statement and what wouldn't?

[485]

A. Of course not.

Q. Weren't they conducting themselves as if they had the authority to make decisions about what would be in the statement and what wouldn't be subject to agreement—

A. No, my understanding is they were conducting themselves as saying that they wanted to talk to me about it, because they had problems with having some of the changes in as to what it would mean, whether it was fully truthful, or whatever.

Q. When you came in in the morning, was it Hartman or Kormann that told you about the events throughout the night?

A. I think both of them were there.

Q. And did they tell you that they had reached agreement on a number of things with respect to what would be in Bray's statement and what wouldn't be?

A. I think that they told me, if you would compare FWB—excuse me, Deposition Exhibit 7 to Deposition Exhibit 6, I think they had told me that they had made a lot of progress, that they ate

Chinese food, that they worked late, and that all of [486] the changers that had reflected in the discussions the day before had been made.

They then appeared in what is the typewritten portions of FWB 15, Deposition Exhibit 6, and that there was a problem as to the last paragraph in what had been in now deposition 7. That Ms. Huvelle wanted the paragraph in as annotated by Frank Kormann, and that they had some problems with it being in, I don't remember exactly what those were, but I think it had something to do with accuracy. And that they recommended it not be included.

Q. Who is—Hartman and Kormann?

A. The Inspectors. And so we discussed it with Ms. Huvelle. Whatever their disagreements were, I think were out on the table.

It seemed to me to be one of those situations where we were not going to make progress by that time from July 14th and 15th, there were other issues that had percolated. And I think in the early morning hours of the 16th they had a number of those things written out in handwriting.

[487]

And I, to move past the problem, I asked Mr. Bray, Ms. Huvelle and Mr. Kearney, if they would agree that we take the statement—the paragraph out, they could give me their list of handwritten recommendations for what I would cover in the grand jury, and that I would ask in my discre-

tion those points that I thought were appropriate in the grand jury. And they said yes.

And Mr. Bray's trial testimony under oath agreed that that's what happened.

Q. Were there eight points on the list that you were going to ask about?

A. My recollection is there were eight points.

Q. But you didn't ask about all eight though, did you?

A. Either the point was already before the grand jury through other witnesses, and I re-emphasize my point to you that it's the prosecutor who determines what will be presented, it's not the witness. And there's case authority for that.

So if the information was already before the grand jury, you'll see reference in there [488] Mr. Bray had a plane to catch at ten after five on a Friday night, there was a time crunch to get him out of there so he could make his plane. And if there was evidence to argue before the grand jury on a point, I wasn't going to take the time to do it. And I think the actual reality is that all of the information was either before the grand jury through other witnesses, or Mr. Bray got to address it before the grand jury.

Q. Is it fair to say that you were aware from your observations that day that Ms. Huvelle and Mr. Bray believed they had an agreement with you that as to the points, those eight points, and as to specifically the last paragraph of Exhibit 7, that

those would not be in the statement that would be read, but that you would ask Mr. Bray questions designed to cover those points?

MR. MONTAGUE: Object to form.

THE WITNESS: Yeah, evidently you're not listening to my testimony.

The agreement was that I would ask such of those point as I in my discretion deemed appropriate [489] before the grand jury. And they agreed with that.

BY MR. POHL:

Q. Did you specifically say to Mr. Bray and Ms. Huvelle that you might not ask questions on all those points?

A. I think the phrase that I in my discretion would deem it as those questions I deemed appropriate, that that would convey that I might not ask them all.

Q. Do you remember using the term in my discretion?

A. Absolutely.

Q. You didn't cover all 8 points in questioning Mr. Bray, did you?

A. You know, I think not. If I had a copy of the list of eight questions, I could be a little more articulate on this point. But I think early on there's something about other clients, and I don't know that

it was Ford Aerospace, but it was some other business or something they had.

And, you know, there was a point there that GAI had done a good job and that they were good [490] consultants kind of thing.

And I saw in some grand jury transcripts last week characterizations of Mike Marcus as being gifted, and talented, and a great consultant.

And so the best of my recollection can do for you right now, counsel, is to say that I may not have asked all eight of them of Mr. Bray, but by the time the grand jury's evidence was completed, that all eight of those points were before the grand jury.

Q. Not from Mr. Bray?

A. And I should add—

Q. Not from Mr. Bray's testimony, though, right?

A. Perhaps not all of them.

And it should be clear that this thing in the last paragraph in Deposition Exhibit 7, that Mr. Bray stated that he was shocked by Voss' plea, and Moore and Reedy expressed surprise at Voss' plea, that was clearly in Bray's testimony.

Oh, and I should say, too.

Q. What's—

A. I remember one of those points.

UNITED STATED DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

IN RE: POSSIBLE VIOLATIONS OF
18 U.S.C. 201, 371, 1341:

Grand Jury Room No. 2
U.S. District Courthouse
3rd & Constitution, N.W.
Washington, D.C. 20001

Tuesday, Sept. 1, 1987

The testimony of WILLIAM A. SPARTIN was taken in the presence of a full quorum of Grand Jury No. 87-1, impaneled on October 7, 1986, commencing at 1:15 p.m., before:

JOSEPH B. VALDER
Assistant United States Attorney

* * * * *

[10]

A Yes, sir.

Q Is this information stated in this summary document true and accurate to the best of your knowledge and belief?

A Yes, sir.

Q I'm going to ask you some other questions, Mr. Spartin, and you've probably heard these many times in the last few weeks and months.

In the month of August 1987, have you had occasion to be at the office of the postal inspectors in the headquarters building for the purpose of reviewing some documents?

A Yes, sir.

Q While there, did you have conversations with them of some nature?

A Yes, sir.

Q Do you recall a conversation with them in which they asked you whether in your judgment Moore and Reedy knew that Voss was receiving money from Gnau on the MLOCR contract or the MLOCR procurement?

A Yes, sir.

Q Do you recall that you told them that in your judgement Moore and Reedy did know that Voss was receiving money from Gnau relative to the MLOCR procurement?

A That is my opinion, yes, sir.

Q And I would like to ask you, sir, what do you base [11] that on? Why do you have that recollection and that understanding? Who did what, said what? What factual events do you base that on?

A Well, my feeling is that with the many conversations between Mr. Reedy and myself and the many conversations between Reedy and Mr. Gnau, and my conversations with Gnau and Voss, that it became—at least in my opinion, I felt that Mr. Reedy knew that we were somehow taking care of Mr. Voss, because I rationalize that why would Mr. Voss be so adamant to help us and all the things he was doing, which we relayed back to Mr. Reedy, just led me to believe that they had to come to the conclusion that somehow we were doing something to take care of Mr. Voss. And that's where I came to the conclusion that, in my opinion, that they had to know way down deep if they asked themselves or looked at the issue, that we were—GAI was handling Mr. Voss.

There was many conversations or many nuances; there were many telephone calls. REI could very well say why is Mr. Voss so strong to get this contact through, what's in it for him, and I just felt all along that they had to know that something was going on.

Q When you say there were "conversations and nuances," what do you remember? What kind of conversations, what nuances? Does anything come to mind?

A You're talking specifically now.

United States District
Washington DISTRICT OF Columbia

TO: **Custodian of Records**
REI Political Action Committee [PAC]
Post Office Box 222307
Dallas, Texas 75222

SUBPOENA TO TESTIFY
BEFORE GRAND JURY

IN RE: POSSIBLE VIOLATIONS OF
18 U.S.C. Section 201, 371, 1341

SUBPOENA FOR:
☐ PERSON ☒ DOCUMENT OR OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE	Room
United States District Court For the District of Columbia 3rd St. & Constitution Avenue, N.W. Washington, D.C. 20001	DATE AND TIME TUESDAY, August 5, 1985 at 1:30

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

DUCES TECUM (Bring With You/Furnish): SEE ATTACHMENT

[NOTE: Mailing the records called for to the attorney whose name and address appears below by the date called for will be considered satisfactory compliance.]

☐Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK	DATE
James F. Davey, Clerk	July 24, 1986
(BY) DEPUTY CLERK [Signature Illegible]	

This subpoena is issued upon application of the United States of America /s/JBV	NAME ADDRESS AND PHONE NUMBER OF ASSISTANT TO U.S. ATTORNEY JOSEPH B. VALDER, AUSA 272-9019 Special Prosecutions Section U.S. Attorney's Office, 5th FL 555 4th Street, N.W. Washington, D.C. 20001

"If not applicable, enter "none"" To be used in lieu of AO110 FORM OBD-227

86-8023 NF #10

ATTACHMENT
REI POLITICAL ACTION COMMITTEE [PAC]

For the period July 1, 1983 to the present:

1. Cash receipts and disbursements journals and any and all other documents which reflect the receipt and disbursement of PAC funds to include the contributors' and payees' name.
2. Monthly statements, deposit tickets with copies of items deposited attached, cancelled checks and check stubs for any and all REI Political Action Committee bank accounts to include, but not be limited to, account numbered 0097101226 at Mercentile National Bank at Dallas.
3. REI Political Action Committee Bylaws; a list of current and prior officers and trustees; and notes, minutes and transcripts of any and all meetings.
4. A summary of all contributions to candidates and or holders of public office.
5. Any and all documents that reflect authorization for individual PAC disbursements.

RETURN OF SERVICE

RECEIVED BY SERVER	DATE July 24, 1986	PLACE U.S. Attorney's Office
SERVED	DATE August 4, 1986	PLACE Dallas, TX via Certified Mail
SERVED ON (NAME) Marshall M. Searcy, Counsel for REI		
SERVED BY U.S. Mail		TITLE

STATEMENT OF SERVICE FEES

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 8/6/86
Date

/s/ M.C. HARTMAN
Signature of Server

M.C Hartman, Postal Inspector
Special Investigations Division
475 L'Enfant Plaza West, [illegible]
Washington, D.C. 20260-2112
Address of Server

ADDITIONAL INFORMATION

(1) As to who may serve a subpoena and the manner on its service see Rule 17(d), Federal Rules of Criminal Procedure or Rule 45(c), Federal Rules of Civil Procedure.
(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure Rule 17(d), Federal Rules of Criminal Procedure or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)"

[SEAL]

U.S. Department of Justice
United States Attorney
District of Columbia

Judiciary Center Operations
555 Fourth St. N.W.
Washington, D.C. 20001

Feb. 9, 1987

Marshall M. Searcy, Esquire
4200 Republic Bank Tower
Dallas, Texas 75201

Dear Mr. Searcy:

Please find enclosed a new subpoena. Please call Mike Hartman upon receipt of the subpoena to make arrangements for turning over the material at your earliest convenience. Thank you.

Sincerely yours,

JOSEPH E. DIGENOVA
UNITED STATES ATTORNEY

By: /s/ JOSEPH B. VALDER
JOSEPH B. VALDER
ASSISTANT UNITED STATES ATTORNEY

United States District Court
Washington DISTRICT OF Columbia

TO: **Custodian of Records**
[Recognition Equipment Incorporated]
2701 N. Grauwyler Road
Irving, Texas 75061222

SUBPOENA TO TESTIFY
BEFORE GRAND JURY

IN RE: POSSIBLE VIOLATIONS OF
18 U.S.C. §§ 201, 371, 1341

SUBPOENA FOR:
☐PERSON ☒DOCUMENTS OR OBJECTS(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date , and time specified below.

PLACE	Room
United States District Court For the District of Columbia United States Courthouse 3rd St. & Constitution Avenue, N.W. Washington, D.C. 20001	Grand Jury Room #2 Third Floor
	DATE AND TIME THURSDAY, March 5, 1987 at 10:00 p.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

DUCES TECUM (Please Furnish/ Bring With You): SEE ATTACHMENT

COMPLIANCE MAY BE SATISFIED BY DELIVERING THE REQUESTED INFORMATION TO POSTAL INSPECTOR MICHAEL HARTMAN

☐Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK	DATE
James F. Davey	February 9, 1987
(BY) DEPUTY CLERK [Signature Illegible]	
This subpoena is issued upon application of the United States of America	NAME ADDRESS AND PHONE NUMBER OF ASSISTANT TO U.S. ATTORNEY JOSEPH B. VALDER /s/JBV Assistant United States Attorney U.S. Atty's Ofc., Spec. Prosecutions Judiciary Center Building 555 Fourth Street, N.W. Washington, D.C. 20001 (202) 272-9019

"If not applicable, enter "none."

To be used in lieu of AO 110

FORM OBD-227

86-8023 NF #10

435

ATTACHMENT

RECOGNITION EQUIPMENT INCORPORATION

1. Any and all original notebooks, diaries, notes, memoranda and reports prepared or maintained by REI employee Paula Ezernack which reference; a) the content of staff meetings held by William Moore, Robert Reedy or Frank Bray or b) conversations, meetings and transcriptions involving Robert Reedy and Gnau & Associates, Inc. (GAI).

2. Any and all original records and documents (notes, memoranda, reports and correspondence) which reflect services performed by Gnau & Associates, Inc. pursuant to a September 26, 1985 Agreement for Corporate Consultant, Purchase Order No. 72253, to include but not be limited to:

a. articles placed with trade publications and reporters in Washington, D.C. or elsewhere;

b. records reflecting the arrangement of interviews with journalists and reporters;

c. records reflecting meetings with United States Congressmen;

d. records reflecting the arrangement of receptions for REI executives in the Washington, D.C. area or elsewhere;

e. records which reflect consulting services or meetings with or regarding the REI Political Action Committee;

f. Records reflecting GAI's assistance or actions relative to applications for export licenses of REI equipment through the Department of Commerce;

g. copies of all applications for export licenses of REI equipment prepared or submitted through the Department of Commerce during the period January 1, 1985 through June 30, 1986;

h. Any and all documents reflecting expenses incurred by GAI pursuant to this agreement to include but not be limited to invoices, receipts and checks;

3. Any and all original notebooks, diaries, notes, memoranda, reports, video tapes or correspondence prepared by or for REI officers and directors relative to the proposed (pre-agreement and post-agreement) and actual services performed by Gnau and Associates, Inc. pursuant to all consulting agreements to include but not be limited to records and documents reflecting:

a. a September 1984 meeting between Robert Reedy and Peter Voss;

b. an October 1984 meeting between Robert Reedy and John Gnau;

c. December 1984 telephone conversations between William Moore and Peter Voss;

d. a Janaury 1985 meeting attended by William Moore, Israel Sheinberg, Thomas Loose, Robert Reedy and representatives of the GAI;

e. January 1985 visits to the Gnau and Associates office by REI employees and officers;

f. a June 1985 meeting among REI officers and GAI representatives at the REI offices;

g. July 1985 meetings among REI officers, Gnau and Associtates, Inc., and Terry Miller;

h. August 28 and 29, 1985 meetings among REI officers and representatives of Gnau and Associates, Inc.;

i. December 1985 telephone cnoversations among William Moore, Robert Reedy and William Spartin;

j. a January 9, 1986 meeting attended by William Moore, Robert Reedy, Frank Bray, John Gnau and William Spartin;

k. March 1986 telephone conversations between William Moore, Robert Reedy and William Spartin;

l. post March 1986 telephone conversations between and among William Moore, Robert Reedy, Frank Bray, John Gnau relative to an official investigation;

m. source and background documentation relative to the suspension or termination of purchase orders numbered 65449 and 72253;

n. original and rough drafts of REI's report to its directors relative to the conduct of its officers and consultants relative to the

current Federal Grand Jury investigations into REI's attempts to obtain Postal Service OCR business.

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Civil Action No. 3-91CV2491-G

WILLIAM G. MOORE, JR. AND
BLANCHE K. MOORE, PLAINTIFFS

v.

JOSEPH B. VALDER, MICHAEL HARTMAN, FRANK KORMANN, ROBERT EDWARDS, PIERCE MCINTOSH, DANIEL HARRINGTON, (FIRST NAME UNKNOWN) ROBBINS, AND OTHERS AS OF YET UNKNOWN, HEREBY DESIGNATED AS JOE DOE DEFENDANTS 1-25, DEFENDANTS

STATE OF FLORIDA
COUNTY OF INDIAN RIVER

AFFIDAVIT OF WILLIAM C. HITTINGER

Before me, the undersigned authority, personally appeared William C. Hittinger, who being first duly sworn according to law, deposes and states as follows:

1. My name is William Hittinger. I reside at 149 Bellevue Avenue, Summit, NJ 07901.

2. I serve on the Board of Directors of Recognition Equipment, Inc. ("REI") and have done so for more than ten years. I hold a Bachelors Degree from Lehigh University, from which I have also received an honorary doctorate. I am presently the Chairman of the

Board of Trustees at Lehigh and have served on that Board since 1972. I am also a member of the Board of Directors of Bethlehem Steel Corporation, UNC Corporation, Thomas and Betts Corporation and The Stabler Companies. I have served on numerous other civil and charitable organizations and committees, including the National Security Telecommunications Advisory Council, a commission which reported to the President of the United States, and I was appointed to serve on the Presidential Commission on United States-Brazil Technology.

3. Following my graduation from Lehigh University and service in the U.S. Army during World War II, I was employed by Western Electric and National Union Radio Corporation before joining Bell Laboratories in 1954. I was eventually promoted to the position of Executive Director of Semiconductor and Electric Tube Division, and from 1966 to 1968 I was President of Bellcomm, Inc., a subsidiary of AT&T. In that capacity, I worked on the Apollo Space Program. From 1968 to 1970, I was President of General Instrument Corporation. From 1970 to 1986, I was employed by RCA, from which I retired as an Executive Vice President in 1986.

4. I first met William G. ("Bill") Moore, Jr., in about 1981 when, in my capacity as a Director of REI, I interviewed him as part of REI's search for a new president. He was subsequently hired by REI as Chief Executive Officer and President and eventually was elected Chairmen of the Board of Directors as well.

5. In late 1987 to 1988, I was asked to testify before a grand jury in Washington, D.C. in connection with what I understood to be an investigation of REI and the activities of Bill Moore and others. I was not accompanied by counsel when I appeared to testify.

6. The day of my testimony, as I recall, I had lunch with Assistant U.S. Attorney Joseph Valder and two men whom I understood to be postal inspectors assisting Mr. Valder in the investigation. That conversation was memorable to me because at one point, Mr. Valder stated in substance that the merits of the case or whether the persons involved were guilty or not did not concern him. He explained that it was important to him that he win the case because he wanted to get a track record or some notoriety which would help him obtain a good position in private practice. He explained that his career objectives went beyond the Department of Justice and that the REI case meant a lot to him and his career. The substance of his conversation was that he wanted to get a conviction in that matter because he thought it would help him land a lucrative position in corporate law.

I was shocked and infuriated that he seemed not to be interested in fairly assessing the merits of the case but saw the investigative proceeding as his opportunity to get a significant "win" for his career advancement. This was inconsistent with my understanding of how a federal prosecutor was supposed to act, and it upset me greatly. I later reported the conversation to company counsel.

7. When I testified before the grand jury, I felt that I was berated by Mr. Valder with respect to how the Board of Directors of REI and I, as Chairman of its Compensation Committee, construed a financial compensation package for Bill Moore. Mr. Valder seemed to want to make it appear to the grand jury that there was something improper about the compensation being paid to Mr. Moore. This seemed to me to be not fairly related to what I understood were the matters under

investigation, and I recall that his approach troubled me as being unfair. I did my best to explain how carefully we had worked to evaluate comparable compensation packages for executives in other companies and how executive compensation generally is established.

I have read the foregoing affidavit, and I swear that the facts contained therein are true and correct to the best of my personal knowledge, information and belief.

/s/ WILLIAM C. HITTINGER
WILLIAM C. HITTINGER
NJ DR H 47197856311224

SWORN TO AND SUBSCRIBED
before me this 28th day
of March, 1992.

/s/ AUDREY J. [ILLEGIBLE]
Notary Public

My Commission expires:

Notary Public State of Florida
My Commission Exp. Nov. 8, [ILLEGIBLE]
Bonded thru [ILLEGIBLE]

[SEAL]

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civ No. 92-2288
Civ No. 93-0324

WILLIAM G. MOORE, JR., ET AL., PLAINTIFF

v.

JOSEPH B. VALDER, ET AL., DEFENDANT

VIDEO DEPOSITION UPON ORAL EXAMINATION

OF

WILLIAM HITTINGER

TAYLOR & FRIEDBERG
Certified Shorthand Reporters
120 Washington Street
Morristown, New Jersey 07960
(973) 285-0411

* * * * *

[27]

* * * to win a case once it's indicted or the case is filed, but there are other times, I think you made reference to it. He said or gave you the impression that, without regard to the merits of the case, he was going to pursue it.

Can you explain that?

A. Well, I distinctly recall a comment to that effect. I can't quote it word-for-word, but it came through loud and clear to me, to the point that I was concerned, that I brought this matter to the attention of corporate counsel immediately after my testimony at the Grand Jury. It just seemed very, very strongly biased in the direction of winning the case regardless of the merits of the case itself.

Q. Now, when Mr. Valder made these comments irrespective of the merits, he wanted to pursue this to get a lucrative job, did the agents sitting there object or say anything or interrupt or disassocate themselves in any fashion?

A. My recollection is that they were totally silent. In fact, they were silent partners throughout the lunch. It turned out to [28] be a lunch, as I clearly recall it, in which, in the fact it was Valder having lunch with me and just by coincidence, two of his associates and, I assume, postal inspectors who were somehow involved, happened to be there at the same time. But I really don't know. It was puzzling to me why they were invited in the first

place. I never met them before, never saw them again. They were not in the Grand Jury hearings as far as I recall. Looking around the room, I don't remember seeing them there at all. So it was puzzling to me that they would be there initially.

But taking that as a matter of perhaps a friendly gesture on Valder's part, friendly to them and perhaps to me as well, I did observe that they sat there without any engagement of conversation at all.

Q. They didn't object to his comments about wanting to use this case to get a job—

A. No. They made no comment.

Q. Did anybody from the Justice Department, at any point in your subsequent * * *

MEMORANDUM **DOJ SEAL**

Subject:	Date:
Proposed REI Indictment	June 1, 1988

To:
Jay B. Stephens
United States Attorney

From:
Paul L. Knight
Chief,
Special Prosecutions

Charles S. Leeper
Deputy Chief,
Special Prosecutions

Over the past two months, Bill Block, Charlie Leeper, Rhonda and I have been meeting with Joe Valder and the two main investigators in the case (Postal Inspectors Frank Korman and Mike Hartman) to carefully review the proposed REI indictment.

The facts underlying this indictment are complicated and the evidence is entirely circumstantial. If this matter goes to trial, it will be a very difficult case and consume significant resources. At the same time, the stakes are very high in that the defendants appear to have corruptly attempted to obtain a 200 to 400 million dollar contract.

In general terms, one of our most difficult tasks has been to ascertain whether REI was guilty of criminal acts or just engaged in very aggressive, and even "sharp" business practices. There is no question that they played "hardball" with the Postal Service and their competitors; it is not as clear that their actions were criminal.

Set forth below is a description of the indictment, a history of the case, a discussion of the evidence and witnesses, and a discussion of how this case will impact on our resources.

I. The Indictment

The proposed indictment charges three defendants —Recognition Equipment, Inc. (REI), its CEO/ President William Moore and its vice President in Charge of Marketing Robert Reedy—in all eleven counts.

Count One charges conspiracy to violate the laws of the United States and to defraud the United States Postal Service and the citizens of the United States under several different theories.

Counts Two and Three charge all three defendants with aiding and abetting the payment of a gratuity ($19,000, airline tickets plus potential contract commissions) to Peter Voss, who was at the time a member of the Board of Governors of the United States Postal Service. Count Two charges that this amount was paid to obtain Postal Service contracts to manufacture Optical Character Readers (OCRs) and Count Three charges that this amount was paid to influence the selection of United States Postal Service employees favorable to REI.

Counts Four through Nine charge Mail Fraud (18 U.S.C. § 1341). Counts Ten and Eleven charge wire fraud violations (18 U.S.C. § 1343) for telephone calls made in furtherance of the scheme to defraud. The facts underlying each of these individual counts will be discussed more fully below.

Before discussing the history of the case, it should be noted that the prosecution team (Assistant United States Attorney Valder, and Postal Inspectors Hartman and Korman) as well as the defense team (John P. Cooney, Jr., Julie O'Sullivan and Milton C. Regal, Jr. of Davis Polk and Wardell (New York); Morris Harrell and Marshal M. Searcy of Locke, Purnell, Rain and Harrell (Dallas); Charles A. Stillman and Andrew Luger of Stillman, Friedman and Shaw (New York); and Robert S. Bennett and David Krakoff of Dunnells, Duvall, Bennett and Porter) have produced hundreds of pages in support of their positions for and against indicting this case. The Postal Inspectors have assembled several large volumes marshalling all the evidence in an effort to show circumstantially that the defendants were knowing members of the conspiracy and knowingly committed the ten substantive counts.

The defendants have prepared a three hundred page submission, a two hundred page attachment and other shorter submissions which argue, *inter alia*, that the case is *too* circumstantial, the likelihood of conviction is very small, some of our legal theories are flawed, that the defendants simply did everything lawfully possible to stop the Postal Service's decision to purchase a competitor's inferior optical character scanner, and finally that where there is no harm, no foul should be called. All three defendants are separately represented by very competent counsel.

It is noted that the following comments are not intended as criticisms of Joe Valder or the Inspectors assigned to the case. They have done a superb job collecting all available evidence. The reservations about the proposed Indictment are prompted solely by concerns as to the adequacy of the evidence.

II. A History of the Case

The REI case was originally assigned to Larry Barcella, and when he left the office, Joe Valder took over and has directed an exceptional investigation along with the Postal Service Inspectors.

Just prior to Larry's departure, and very early on in the investigation, United States Postal Service Board of Governor Peter Voss, (represented by Dick Janis and Larry Wechsler), won "the race to the courthouse" and became the first defendant to plead guilty. This was a somewhat unusual situation, since Voss would normally be a target whom we would indict after a lengthy investigation. His offer to plead guilty and cooperate, however, was considered at the time to be too good to reject.

Voss pled guilty in June of 1986 to accepting a gratuity based on his proffer that he had improperly taken payments relating to Postal Service matters. This appeared to be a favorable disposition at that point in the investigation because we had no evidence by which we could prove that these payments were really bribes.

Voss provided information about his arrangement with a consulting firm (John Gnau and Associates, Inc. or CAI) by which Voss would steer Postal Service business to several different corporations represented by Gnau in exchange for money.

Shortly thereafter, Gnau and one of his employees (Michael Marcus) agreed to plead guilty and cooperate with the government. Another GAI employee, William Spartin, was given immunity.

At that point the evidence relevant to this indictment showed that Peter Voss had approached Robert Reedy

of REI in September of 1984 and suggested that REI hire Gnau and Associates as REI's public relations/ lobbying representative (REI already had two lobbyists on their payroll). In October of 1984, Reedy met with Gnau in the DFW airport and they arrived at a verbal contract. No written contract was entered into at that time, but one was later executed in February 1985 and backdated to January 1985. This date is significant because the then REI Chairman of the Board (John Lawrence) was still with REI in the fall of 1984, but he retired at the end of January 1985. He was never informed by Moore or Reedy about their meetings with Voss or their decision to hire GAI.

The initial REI contract with GAI was for three $10,000 payments which would be applied against GAI's one per cent commission on any optical character reading (OCR) contracts which REI might get from the Postal Service. After each of these three $10,000 payments was made by REI to Gnau, Gnau paid Voss $3,000.

Later, Voss received four $2500 cash payments from Gnau which again had originated as consulting fees paid by REI to GAI. Throughout this time, Voss continued his support of REI's MLOCR (Multi Line Optical Character Readers) technology and to assist in ousting United States Postal Service officials not sympathetic to REI's positions.[1]

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[1] This case revolves around the MLOCR versus SLOCRs (Single Line Optical Character Readers) controversy which was and is a controversial issue in the Postal Service. The Postal Service had realized that it had to automate, and the issue was which kind of technology to utilize in connection with the Zip + 4 program. Originally, the Postal Service decided to go with MLOCRs rather than SLOCRs. However, in 1981 the Postal

The other co-conspirators described above were associated with Gnau and GAI. Marcus was introduced to the Postal Service's Board of Governors by Voss and, while appearing to be a neutral consultant, was pumping pro-REI position papers before the Board of Governors. Spartin, (who has been immunized), gave the appearance of not being asociated with REI or GAI and managed to obtain executive search contracts from the Postal Service which he used to find individuals sympathetic to REI.

There is no question or dispute from any quarter that there was an ongoing conspiracy between Peter Voss and the folks at GAI (Gnau, Marcus Spartin and others). REI and the other defendants contend, however, that they had no knowledge that anything illegal was occurring between their consultants (GAI) and Voss and that any illegal acts were GAI's idea in order to take advantage of their agreement that GAI would get 1% of any MLOCR contracts awarded to REI. REI correctly points out that not one of our cooperating co-conspirators can *directly* tie defendants Moore and Reedy into the conspiracy. Our case has been even further weakened by Peter Voss who, after great reflection while sitting in a federal prison camp, recently stated to Postal Service investigators that REI, Moore and Reedy knew nothing of the conspiracy.

Service decided that the less expensive SLOCR technology would be sufficient assuming the public voluntarily adopted the Zip + 4 program. This decision cut REI out of the very lucrative contracts as REI was the only U.S. company producing MLOCRs. REI knew that they had a chance only if they could swing the Postal Service back in favor of MLOCRs.

III. The Evidence In Support of the Indictment

Rather than starting with the conspiracy count (Count one), it may be helpful to start with discussions of the other counts about which the defendants are alleged to have conspired.

1. The Gratuities—Counts Two and Three

As noted above, Voss pled guilty to taking a gratuity as the result of money paid to him by GAI. While the evidence developed later showed that these payments from Gnau were really bribes, Voss will not say that (likely out of fear of the Parole Commission and also because of his personality). Voss is now saying that REI's MLOCR was the superior system, that he was firmly of the belief that Postal Service was making a grave error in going with SLOCRs and that he supported the MLOCR position to save the United States Postal Service money.

The evidence indicating that Moore and Reedy knew about the payments to Voss is not particularly strong and totally circumstantial. While we feel that there is enough evidence to get by an MJOA, whether there is enough evidence for convictions is questionable.

The case against defendant Robert Reedy is stronger than the case against defendant William Moore. In September 1984, Voss and Reedy had dinner at a Dallas restaurant. Voss told Reedy that REI had been too aggressive in its approach to the Postal Service and that REI should retain a new lobbyist—Gnau and Associates (GAI) PR firm. In October of 1984, Gnau and Reedy met at an airport concerning the retention of GAI. Gnau at one point tells Reedy not to use Voss' name and to simply refer to Voss as "our friend". On

several occasions after that (dates not certain except for once in May 1985), Reedy inquired of Gnau as to "what kind of arrangement do you have with Voss?" On each occasion Gnau told Reedy, "it is better that you don't know". In August of 1985, REI increased GAI's compensation to $22,000 per month, which would be deducted from the 1% commission if REI obtained the MLOCR contract. Gnau had been complaining that he and others had been working nearly full time since October 1984 for only $30,000. At the time that Reedy agreed to this increase, he told Gnau "I know you have people to take care of". On another occasion, in July of 1985, when REI was still pursuing a Postal Service contract, Reedy (and Moore) said to Gnau "why don't you get Peter Voss to order it sole source".

There are other pieces of circumstantial evidence indicating Reedy's guilty knowledge. As we noted before, John Lawrence, the Chairman of the Board, was not told about GAI during his last four months on the job and the actual contract was signed (and backdated) as Lawrence was leaving. In addition, Reedy lied to Postal Inspectors in April of 1986 as to how he had met John Gnau. In an earlier interview by Postal Service Inspectors conducted in November 1985, Reedy also claimed that he had never had direct contact with United States Postal Service officials. There are phone records showing numerous calls between Voss and REI at key times. Reedy was also aware that on several occasions, Voss was providing internal Board of Governors' memos and confidential information to Marcus (GAI) which were in turn given to REI.

Notwithstanding all of these actions, they still do not clearly prove that Reedy had knowledge of the payoffs. Reedy's conduct is also consistent with the defense

posture that while Reedy knew that Voss was helping REI, Reedy believed Voss was simply the only member on the Board of Governor's with the sense to realize the folly of SLOCRs.

The evidence against Moore is also totally circumstantial, but quantitatively even less than can be marshaled against Reedy. One of the earliest pieces of evidence which at first blush looked helpful may in fact undercut our case. In July 1984, Sharon Peterson, an unindicted co-conspirator and administrative assistant to Voss, made notes from a Moore-Voss telephone conversation. Among Voss' comments during this conversation were that he was "taking heat" and "working for you (Moore)". Unfortunately, this conversation was several months prior to the time that Voss suggested that REI hire GAI and prior to any payments from REI to GAI.

Other evidence developed against Moore includes Moore and Voss pretending not to know each other at a meeting of the Postal Service, Moore not informing the CEO and Chairman of the Board of Directors about his dealings with Voss and GAI, Moore's April 1985 notes which include "consultant-wired (Peter Voss)—inside vs outside control", and Moore on at least one occasion in July 1985 telling Marcus "why don't you have Peter Voss order a sole source award". Later in January/ February 1986, Moore and Reedy complained to Spartin about the lack of progress on the sole source contract.

Phone records also show numerous calls between Voss and Moore and others at REI during the period July, 1984 to December, 1984. Moore's diary contains what can best be described as notes reflecting discussions as to how the Postal Service was operating and

how it should be operating as well as the receipt of information from various closed Board of Governors meetings.

Unfortunately, none of the evidence shows direct knowledge by Moore of the payments to Voss through GAI. Even when the evidence is considered in light of Moore's close association with Reedy—from which one can infer that Moore knew of at least some of Reedy's conversations with Gnau—it proves no more than that Moore *probably* knew of the payments to Voss.

In addition to the above-described evidentiary problems, because Count Two charges the payment of gratuities to Voss on account of his activities relative to MLOCR contracts, there is a real danger that the trial could devolve into a debate of the relative advantages-disadvantages of MLOCRs and SLOCRs. Similarly, Count Three charges the payment of gratuities to Voss for having helped REI by providing confidential information concerning the removal and transfer of Postal service personnel opposed to MLOCRs, and for acting in REI's interest in the selection of a new Postmaster General. Again there is a danger that the trial could devolve into a debate over whether Voss did anything to assist in the removal of these senior Postal Service employees or whether they were removed for incompetence in supporting SLOCRs. This Count could also invite distracting evidence concerning the exceptional qualifications of the Postmaster General in question—Albert Casey.

MAIL FRAUD COUNTS

Count 4 through 9 charge violations of the mail fraud statute (18 U.S.C. § 1341).

COUNT FOUR

Count Four charges the use of the mails on August 12, 1985 to further defendant's fraudulent conduct in that the Postal Service mailed to REI a "letter inviting REI to demonstrate their MLOCR capability through the execution of competitive test agreements which were enclosed therewith".

At first glance, one questions how a mailed invitation for open, competitive bidding can be considered a mailing in furtherance of the scheme to defraud. Defense counsel will likely attempt to isolate this mailing from the rest of the facts and argue with some support that rather than furthering Voss' scheme it tended to obstruct it.

Our response which is based on the totality of all of the facts, seems somewhat strained. Prior to March 5, 1985, REI was ineligible to obtain any OCR production contracts. However, the government argument goes, due to corrupt and illegal conspirators' acts from July 1, 1984 to August 12, 1985, they were successful in causing USPS to turn away from the SLOCR approach to a MLOCR approach, culminating in the USPS contracting officer mailing *competitive* test agreements to REI as the beginning of a process to award production contracts to retrofit phase II SLOCRs and to manufacture stand alone MLOCRs.

It is our opinion that a judge might well grant a motion for judgment of acquittal on this count on the ground that the evidence fails to show a furtherance of

the scheme to defraud. Even assuming we could survive an MJOA, it is recommended that this count be deleted from the indictment because its link to the scheme to defraud is so tenuous. While it could legally be charged, it is felt that defense counsel would have a field day in closing argument—claiming that the indictment even charges the defendants with mailings that initiated a *competitive* contracting process.

COUNT FIVE

The mailing in this count involves memorandum prepared by Postal Service staff for the members of the Board of Governors (including USPS Governor William Sullivan) which summarize the November 4, 1985 meeting of the Technology Committee. During the course of this November 4 meeting, Peter Voss gave Michael Marcus, for delivery to REI, confidential information and written materials from REI's competitor, ECA. (See Overt Acts 66-67) This information would arguably give REI an advantage when it made its presentation to the Technology Committee after ECA's presentation. The theory of this mail fraud count would be that after the November 4, 1985 status presentations to Postal officials were manipulated by REI, the results of the presentations—including summary memos and transcripts—were mailed to all Board members, including Sullivan, for use in making OCR and personnel/PMG decisions. However, it appears that much of the ECA information which Voss channeled to REI was publicly available at the time of the hearing and all of it within a day or two thereafter, and it may be difficult to show how REI made use of any non-public proprietary information.

COUNTS SIX AND SEVEN

Counts Six and Seven charge similar mailings—different contracts offered by the Postal Service to William Spartin to search for top level Postal Service employees. Count Six charges a December 13, 1985 mailing from David Harris to Spartin of a contract to find an interim Postmaster General; Count Seven charges a December 16, 1985 mailing between the same parties of a contract to find a permanent Postmaster General.

These mailings were in furtherance of the charged scheme to defraud the citizens of the United States of their right to have the Postal Service make fair and unbiased administrative decisions pertaining to the selection, assignment and termination of Postal Service officials. (See Paragraph 12(e) of Count One, pp. 9 and 10 of the May 12 Draft).

The basic problem with these two counts is their vulnerability to the argument that there was "no harm", therefore there should be "no foul". Although Albert Casey was selected following the recommendation of William Moore, Casey—a man with an impeccable record both before and after his selection as the interim Postmaster General—will testify that each and every one of his actions was proper and above board with absolutely no advantage being accorded to REI or William Moore. (In reality Moore probably recommended Casey because he felt that someone who knew him would be less likely to rule out his MLOCR machinery. The GAI scheme to defraud, in any event, was discovered shortly after Casey came on board and hence Casey was even more on guard to keep his behavior on the straight and narrow).

As to Count Seven, Spartin never had the opportunity to select the permanent Postmaster General, and hence the mailed contract was never fulfilled—an even stronger "no harm, no foul" situation. An additional concern is that the co-conspirator who was involved in these contracts—Spartin—was given immunity.

COUNT EIGHT

Count Eight charges the mailing of a letter by a Washington, D.C. Postal employee working in the office of Contracts to the New York processing center which authorized paying Spartin's MSL Corporation nearly $31,000 relative to the identification of Albert V. Casey as the interim Postmaster General.

While this mailing would technically qualify as a mail fraud count, it appears to be overreaching to charge Moore and Reedy with such an offense. Spartin, who got immunity, tried to scam the Postal Service out of nearly $31,000 for finding the interim PMG when all he did was make a couple of phone calls to Moore and Reedy to solicit recommendations. If any major "foul" was committed in this count, it was committed by William Spartin.

It is again recommended that this count be deleted from the indictment because it may cause more harm than good. Defense counsel would have another field day pointing out to the jury how the guy who tried to scam the Postal Service got $31,000 and was never prosecuted, while the defendants (Moore, Reedy and REI), who recommended a competent and impartial candidate, didn't get one penny.

COUNT NINE

Count Nine charges the March 31, 1986 mailing of a letter from Peter Voss in Canton, Ohio to David Harris, the Secretary to the Board of Directors.

This mailing was the last in a series of sole source proposals secretly written by REI (Marcus) and funneled through Peter Voss in order to obtain a MLOCR production contract and USPS money for REI. It can be successfully shown to be fraudulent only if we can persuade a jury that Moore and Reedy knew Voss was being paid for his efforts on behalf of MLOCR technology.

THE WIRE FRAUD COUNTS
COUNT TEN

Count Ten charges that on December 12, 1985, defendant William Moore, while in Dallas, Texas, telephoned (immunized co-conspirator) William Spartin in Washington, D.C. in furtherance of the scheme to defraud. This telephone call involved Moore telling Spartin that he (Moore) had talked to Casey the previous evening and that Casey was interested in becoming the interim PMG.

This Count, which is related to Count Six, poses the same problem described above at page 7—that since there is no harm, there should be no foul. One significant difference from Count Six is that Count charges acts directly performed by one of the defendants—William Moore—as opposed to one of the unindicted co-conspirators. However, does a competitor's recommendation of a candidate who might be expected to favor the competitor rise to a criminal level because the

competitor believes his recommendation will be accepted?

COUNT ELEVEN

The final count of the indictment charges that defendant Robert Reedy furthered the scheme to defraud in a telephone call from REI's Dallas headquarters to unindicted, co-conspirator William Spartin.

After the Postal Service's Board of Governors discovered Spartin's relationship with GAI and terminated Spartin's Postmaster General search contract on March 3, 1986, Spartin (in New York) and Reedy (in Dallas) had a telephone conversation about the cover-up of Spartin's USPS-GAI-REI conflict of interest. On the next day, there was a similar telephone conversation between Spartin in D.C. and Reedy it Dallas. Spartin says that in these telephone conversations, he told Reedy that he (Spartin) was preparing a back-dated letter of resignation from GAI so as to conceal his association with REI's consultant during the same time he was serving as consultant to the Postal Service. Spartin says Reedy asked Spartin to keep him posted. Spartin also asked Reedy if Moore would say that he (Moore) contacted Spartin to recommend Casey rather than acknowledging that Spartin solicited the recommendation. There is no corroboration for Spartin's version of these calls and, in fact, Moore told Postal Inspectors in April 1986 that Spartin has contacted Moore for a PMG recommendation.

COUNT ONE - CONSPIRACY

Count One charges that Moore, Reedy, REI and numerous co-conspirators conspired to violate numerous laws of the United States and to defraud the

United States under several different theories. (See paragraph 12 of Count One located at pp. 6-10 of the Indictment). It charges that (1) they directly and indirectly offered a public official (Peter Voss) a gratuity in violation of 18 U.S.C. § 201 (f) and (g); (2) that they conspired to steal property belonging to the United States valued at more than $100 in violation of 18 U.S.C. § 641; (3) that they conspired to steal property of the U.S. Postal Service which was valued at more than $100 in violation of 18 U.S.C. § 1707; (4) that they conspired to use the mails and interstate wires to further their scheme to defraud in violation of 18 U.S.C. § 1341 and § 1343 (including the mailings and wires charged in Counts 4 to 11). This Count further charges that the defendants and co-conspirators conspired; (5) to defraud the United States Postal Service (USPS) and the citizens of the United States of the benefits of competitive bidding in governmental procurements of optical scanning equipment; (6) to defraud the USPS and United states citizens of the honest and faithful services of its officers and employees (Peter Voss); (7) to defraud the USPS and United States citizens of their right to the confidential use of USPS internal information; and (8) to defraud the USPS and the United States citizens of their right to have fair and unbiased decisions relating to the hiring and firing of the Postal Service's officials and employees. The evidence in support of these charges is complicated and totally circumstantial. The different theories supporting the conspiracy include:

(1) The Conspiracy to Offer a
Gratuity to a Public Official

As described above in the discussions of Counts Two and Three (pp. 4-6), the evidence is clear and direct that Gnau, Marcus, Spartin and others conspired to pay money to public official Peter Voss on account of his official acts and that Peter Voss sought these gratuities. The evidence, however, that Moore, Reedy and REI joined this conspiracy is totally circumstantial. The evidence needed to support this aspect of Court One is essentially the same as in our discussion of Counts Two and Three.

(2) and (3) Conspiracy to
Steal Property of the United
States and the Postal Service

Count One further charges that the defendants and others conspired to steal property belonging to the United States having a value greater than $100 in violation of 18 U.S.C. § 641, and (b) property belonging to the Postal Service having a value greater than $100 in violation of 18 U.S.C. § 1707. These two objects are essentially the same and hence, if it is decided to seek a conspiracy indictment, one of these objects should be dropped from the indictment.

This portion of the conspiracy count may be more complicated than appears at first glance. The specific information and documents provided by Voss to GAI and REI is difficult to identify. It will be even more difficult to prove that the information had a value of greater than $100. Accordingly, the Court may require a special verdict form because the possibility exists that

the jury could come back with a misdemeanor as the sole underlying offense.

This aspect of the conspiracy count also has considerable nullification potential. In one of his interviews, Marcus made a statement that he got as much insider information from USPS Governor Ruth Peters as he did from Voss. Peters is not charged with any illegality in this case, but she was in reality doing much of what Voss did. Moreover, it could be argued that in business it is common practice to release certain amounts of information in order to test your ideas and strive to get a better work product. Once again we approach the no harm, no foul considerations.

(4) and (5) Conspiracy to
Use the Mails and Wires in
Furtherance and Execution
of the Scheme to Defraud

This theory will obviously encompass Counts Four through Eleven of the Indictment and the discussion above concerning these counts will also be relevant here. In addition to those counts, however, will be the numerous phone and wire fraud violations which occurred outside the District of Columbia but which are alleged to be in furtherance of the conspiracy.

(6) to (9) Conspiracy to
Defraud the United States

Count One also charges conspiracy to defraud the United States under several different theories. As with all of our earlier discussions, it is clear that a conspiracy to defraud existed, but it is not as clear that the defendants listed in this indictment joined that con-

spiracy. As we discussed above, this part of the conspiracy charge may put the entire Postal Service on trial. While the trial court should restrict this from happening, it will take a very strong judge to rein the three defense teams in. If the Postal Service is put on trial, our chances of prevailing in this matter will decrease.

Rather than try to summarize all of the evidence in this case in this memo, it is recommended that one review the attached *Details of the Offense* which provides an excellent summary and index of the key events in the case.

cc: William J. Birney
William R. Martin
Charles S. Leeper
William S. Block
Joseph B. Valder

U.S. POSTAL SEAL

CHIEF POSTAL INSPECTOR
Washington DC 20260-2100

MAY 13, 1988

Honorable Jay Stephens
United States Attorney
District of Columbia
555 Fourth Street, NW
Washington, DC 20001-2733

Dear Mr. Stephens:

I am submitting this letter to urge a timely decision relative to the prosecution of Recognition Equipment, Inc., William G. Moore and Robert Reedy. My purpose is not to detail the evidence of their guilt or innocence, but rather to discuss the effect of delaying the decision on the Inspection Service's ability to effectively protect Postal Service assets and to maintain the integrity of various postal systems.

As you are aware, the fraudulent activity involving Peter Voss, then Vice Chairman of the Postal Service Board of Governors, and REI included the manipulation of the Postal Service's billion dollar automation program and managerial staffing at the highest levels. Their actions, motivated by greed, materially eroded the economy, efficiency and integrity of an agency, the Postal Service, its 800,000 employees and the rate paying public.

On May 30th, it will be two years since Voss' guilty, plea and public notice of his corrupt actions. The message was swift and clear. The timely prosecution of public corruption was a high priority throughout the law enforcement community.

The Postal Service acted quickly by indefinitely suspending the competitive procurement corruptly influenced by Voss. REI was one of only two participants in that procurement which included an anticipated award in the range of 250 to 400 million dollars. It was announced that the suspension would furnish the Inspection Service and United States Attorney an opportunity to determine the scope of Voss' corrupt influence and the participation of others. The USPS followed this approach for six months until shortly after the guilty plea of John Gnau (REI's consultant). At that time, they awarded a sole source contract to ECA for the equipment. By this time, the Postal Service had lost valuable time and countless millions of dollars in lost savings.

The Postal Service, however, could not erase Voss and REI's influence and was tasked with developing a new program to procure next generation automated mail reading, coding and sorting equipment. The new program was unleashed during the winter of 1987 and includes a competitive "run-off" among several vendors during the summer of 1988. REI, under the same management, is a participant in that program and will receive $3,976,500 for their participation. To date, following Voss' plea, REI has received USPS developmental funding in the amount of $994,125, with $1,391,775 payable in May 1988 and an additional $1,590,600 payable in July 1988 following the competitive "run-off". If they win the competition, they

could receive a multi-million dollar award during late 1988.

REI has also expressed interest in a related optical automation project and may be awarded a portion of $15 million in developmental funding as early as June 1988.

Jay, I think you can see our dilemma. The Inspection Service has information relevant and material to the Postal Service's procurement decision. But in the interest of the criminal investigation and in compliance with Grand Jury Secrecy regulations, we have not disclosed to postal management evidence indicative of REI's knowing participation in a scheme to manipulate and circumvent administrative and procurement activity of the Postal Service.

We have always believed that a thorough but prompt and aggressive investigation was the most effective method to combat fraud. The Inspection Service stands ready to furnish the resources to that end.

During October 1987, counsel for REI was advised by your office that the investigation disclosed evidence that indicated the corporation and two of its officials knowingly participated in a scheme to bribe Voss and defraud the government. Within days, REI released those comments to the public. I understand that REI furnished your office their position on this whole matter during the first week of February 1988. The Inspection Service, working closely with Assistant U.S. Attorney Joseph Valder submitted a rebuttal to REI's submission that same week.

I am the first to acknowledge the complexity of this matter and the resources required for its successful prosecution. I am also aware of the recent turnover in

your Special Prosecutions Section, the personal demands of a transitional period, and other priority investigations.

I request that you weigh the evidence and make your determination in a timely manner. The adverse impact to the victim, the USPS and the rate paying public, is continuing. Any further delay could severely impact this summer's procurement and undermine the integrity of the procurement system as a whole.

Thank you for your anticipated prompt attention to this matter. If you would like to discuss the investigation further, please telephone me at 268-4267.

Sincerely,

/s/ C. R. CLAUSON
C. R. CLAUSON

U.S. POSTAL SEAL

CHIEF POSTAL INSPECTOR
Washington DC 20260-2100

July 27, 1988

Honorable Jay Stephens
United States Attorney
District of Columbia
555 Fourth Street N.W.
Washington, DC 20001-2733

Dear Mr. Stephens:

This letter is a follow-up to my May 13, 1988 letter (copy attached) which urged a timely decision relative to the prosecution of Recognition Equipment, Inc., William G. Moore and Robert Reedy. Frankly, Jay, I am disappointed by your office's failure to act on this matter and the series of broken promises from your staff (review committee) relative to the date and nature of their recommendation.

On June 1, my case agents met with you, your senior staff and the review committee to discuss the evidence indicative of REI and its officers' knowledge and participation in a conspiracy to bribe Peter E. Voss and defraud the Postal Service. You assured us that the decision to charge REI, et al., was on the "front burner."

On that same date, without the benefit of discussion during the above described meeting, the review committee submitted a memorandum to you discussing the results of their review. The memorandum, dated exactly fifteen (15) weeks after the first joint review

committee/Postal Inspector meeting and weeks after initially promised, did not reflect our understanding of the consensus recommendation and viewpoint of the committee. In fact, the memorandum contained no discernible recommendation and consisted primarily of a superficial critique of the case. We have been told point-blank by members of the committee that their recommendation is to indict, at a minimum, Moore and Reedy.

My Inspectors were then told that a second memorandum would include a clear recommendation and an outline to charge the case in a manner least susceptible to attack by the defense. The memo has been promised but not furnished for several weeks.

Jay, it has been four years, since Peter Voss and REI began a dialogue that resulted in a conspiracy that shook the most critical procurement and operational program undertaken by the Postal Service at that time. Three and one-half years ago, REI dangled a four (4) million dollar carrot in front of Voss and the consultant that Voss recommended they hire. Voss' actions are history, but the shadow of the conspiracy and this investigation still hang over the Postal Service.

I, for one, am embarrassed by the inability of our respective staffs to bring this matter to a timely resolution. I am embarrassed that nine months ago, counsel for REI was brought into the United States Attorney's Office and told that there is sufficient evidence to return an indictment against the corporation and two of its officers and to date the matter has not been resolved.

Your staff has now had over five months to review the defense submission and a detailed chronology of the

offense prepared by Postal Inspectors. Over the past year, countless position papers have been drafted by Joseph Valder and law clerks relative to REI's knowledge and participation in the conspiracy. The consensus has been that the evidence is sufficient to sustain a conviction when analyzed in light of relevant case law.

Joseph Valder, who has nearly 18 years of experience as a prosecutor and recent success in one of the largest federal corruption cases prosecuted in this district, has interviewed and evaluated all the key witnesses in this matter. Simply stated, your office has had available to it a wealth of information to make this decision.

Further delay, as it taxes the memory of the witnesses, can only hinder our ability to present the case to the trier of fact. Coincidentally that delay also erodes the credibility of the law enforcement community.

My investigative resources have been idled while your office ponders and exhaustively reviews this case. Our respective agencies can ill afford the waste of resources, but most importantly, we can ill afford the diminished respect and faith of those we serve.

If there are any shortcomings on our part, I will be happy to correct them. Otherwise, I would appreciate anything you can do to bring this matter to closure.

Sincerely,

/s/ C. R. CLAUSON
C. R. CLAUSON

Attachment

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Holding a Criminal Term
Grand Jury Sworn in on Oct. 7, 1986

UNITED STATES OF AMERICA

v.

RECOGNITION INCORPORATED, WILLIAM G. MOORE, JR, ROBERT W. REEDY

Criminal No.

Grand Jury Original

Violations: 18 U.S.C. §§ 371, 1707, 1341, 1343, 2(a), 2(b) (Conspiracy, Theft of Property Used by the Postal Service, Mail Fraud, Wire Fraud, Aiding and Abetting, Causing an Act to be Done); 22 D.C.C. §§ 3832(a), 3832(c)(1), 105 (Receiving Stolen Property, Aiding and Abetting)

INDICTMENT

The Grand Jury Charges:

COUNT ONE

1. At all times material herein, the United States Postal Service (hereinafter sometimes referred to as "Postal Service" or "USPS") was a department, agency and independent establishment of the executive branch of the government of the United States.

a. Among the official functions of the Postal Service was the duty to accept and deliver articles placed in the United States mails.

b. Among the official programs of the Postal Service was the development, procurement, deployment and maintenance of automated systems to read, code and sort the United States mails.

c. Beginning in or about 1960, the Postal Service entered into contracts with private companies for research, development and production of automated systems which would read, code and sort the United States mails.

d. Among the automated sorting systems and equipment developed by various private companies were single-line optical character reading (hereinafetr sometimes referred to as "SLOCR") equipment and multiline optical character reading (hereinafter sometimes referred to as "MLOCR") equipment.

2. At all times material herein, the exercise of the power of the Postal Service, including the authority to direct and control expenditures and to review the practice and policies of the Postal Service, was directed by the Board of Governors of the United States Postal Service (hereinafter sometimes referred to as "Board of Governors" or "Board"), which consisted of up to nine Governors, appointed by the President of the United States with the advice and consent of the United States Senate, and the Postmaster General (hereinafter sometimes referred to as "PMG") and the Deputy Postmaster General.

a. The Governors were to represent the public interest generally.

b. Among the powers of the Governors, sitting without the Postmaster General and Deputy Postmaster General, were the powers (1) to appoint and remove the Postmaster General and (2) to delegate

authority vested in it to the Postmaster General who was the chief executive officer of the Postal Service and responsible for its overall honest, efficient and economical operation.

c. In part, the Board accomplished its duties and work through various committees which gathered information on behalf of said Board but which did not have decision-making authority for said Board, and among these committees, at various times, were

(1) the Contingency Committee, which was to gather information on behalf of the Board pertaining to personnel and Postmaster General selections;

(2) the Technology and Development Committee (hereinafter sometimes referred to as the "Technology Committee"), which was to gather information on behalf of said Board and to assist said Board in considering policies and issues in the areas of technology innovation, research and development and automation; and

(3) the Planning and Executive Resource Committee, which was to gather information and assist the board in considering long-range personnel planning to fill top management jobs.

d. The Board of Governors was required by law to take official action only at duly convened meetings when there was an official quorum present; conversely, the committees of, individual members and groups of members of the Board of Governors were not authorized to take action or make decisions for said Board.

e. The Postal Service and its Board of Governors were duly authorized by statute and regulation to close portions of the Board meetings to the public where the Board determined that the public interest

did not require otherwise and when the closed portions of the meetings were likely to, among other things, (1) relate solely to the internal personnel rules and practice of the Postal Service and (2) disclose information the premature disclosure of which would be likely significantly to frustrate implementation of a proposed action of the Board relating to proposed Postal Service procurement activity.

f. Governors were prohibited from using inside information, that is, information obtained under Postal Service or other Government authority which had not become part of the body of public information, obtained as a result of his or her Postal Service employment for private interest or gain for said Governors or another person either by direct action on his or her part or by counsel, recommendation, or suggestion to another person.

3. In or about 1979 and 1980, one of the operational and procurement issues pending at the Postal Service was the extent to which the USPS should utilize SLOCR equipment or MLOCR equipment which was designed to read, code and sort the mail, and the Postal Service determined:

a. that the mailers' acceptance and use of a 9 digit Zip Code ("Zip + 4") was important to the economy and efficiency of the Postal Services's program to automate its mail processing function,

b. that SLOCR equipment could read, code and sort mailpieces which contained a 9 digit Zip Code more efficiently and economically than MLOCR equipment could read, code and sort mailpieces which did not contain the 9 digit Zip Code and

c. that it would obtain SLOCR equipment through its normal and regular procurement processes.

4. At all times material herein, defendant RECOGNITION EQUIPMENT, INCORPORATED (hereinafter sometimes referred to as "REI") was a Delaware corporation, headquartered in Dallas, Texas, engaged, in part, in the design, manufacture and distribution of optical character reading equipment, which:

a. prior to 1982, developed and sold MLOCR equipment prototypes to the USPS and

b. beginning in or about 1982, unsuccessfully competed for the second phase of the USPS SLOCR equipment procurement contract which was awarded to a company named ElectroCom Automation, Inc. (hereinafter sometimes referred to as "ECA") on or about July 10, 1984.

5. At all times material herein, defendant WILLIAM G. MOORE, JR. was the chief executive officer, sometimes called President, and, at various times material herein, the Chairman of the Board of Directors of defendant RECOGNITION EQUIPMENT, INCORPORATED with annual compensation of a salary of at least $200,000 per year and an incentive bonus "equal to five percent of Recognition's consolidated income before income taxes" plus other benefits.

6. At all times material herein, defendant ROBERT W. REEDY was the Vice President of Marketing at defendant RECOGNITION EQUIPMENT, INCORPORATED and a participant in REI's executive benefit and incentive plans.

7. At all times material herein, Peter E. Voss, not named as a defendant in this Indictment, was,

a. prior to May 30, 1986, a member of the Board of Governors of the United States Postal Service, and was, at various times, (1) a member of the Board of Governors Contingency Committee, (2) a member of the Board of Governors Technology and Development Committee, (3) a member of the Board of Governors Planning and Executive Resources Committee, and (4) the Vice Chairman of said Board of Governors; and also was

b. President and owner of Decision Systems, Inc., an Ohio company which was engaged primarily in the sale of specialty parts and equipment to industrial and municipal concerns.

8. At various times material herein, Sharon R. Peterson, not named as a defendant in the Indictment, was the administrative assistant to Peter E. Voss at Decision Systems, Inc., and in his official position as a Governor of the United States Postal Service.

9. At various times material herein, John R. Gnau, Jr., not named as a defendant in this Indictment, was associated with and part owner of the following public relations firms: Gnau, Carter, Jacobsen and Associates, Inc.; John R. Gnau, Jr and Associates, Inc.; and Gnau & Associates, Inc. (hereinafter sometimes collectively referred to as "GAI").

10. At various times material herein, Michael B. Marcus, not named as a defendant in the Indictment, was a Director and the Treasurer of Gnau, Carter, Jacobsen and Associates, Inc., and a Director, the Vice President and Treasurer of Gnau & Associates, Inc.

11. At various times material herein, William A. Spartin, not named as a defendant in the Indictment, was President of Gnau & Associates, Inc., and

President and Managing Director of MSL International Consultants Limited, an executive placement firm.

12. From in or about July, 1981, the exact date being unknown to the Grand Jury, and continuing to on or about October 1, 1986, within the District of Columbia, the States of Michigan, Ohio, Illinois, Maryland, and Texas, the Commonwealth of Virginia and elsewhere, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR., and ROBERT W. REEDY and Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus, William A. Spartin and others known and unknown to the Grand Jury willfully, unlawfully and knowingly did combine, conspire, confederate and agree together and with each other to defraud the United States and to commit offenses against the United States; more particularly, the defendants and Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin did combine, conspire, confederate and agree together and with each other:

a. to defraud the United States Postal Service and the citizens of the United States of America of their right to have the Postal Service make fair and unbiased operational and procurement decisions, including their right to have the benefits of competition in governmental procurements, pertaining to the deployment and procurement of optical character reading equipment, free from cheating, deceit, fraud, theft, embezzlement, dishonesty, corrupt influence, official misconduct, payment of gratuities conflict of interest, false representations, unjust influence, bid rigging, circumvention of government contracting procedures, and breaches and omissions of fiduciary and contract duties, in violation of Title 18, U.S. Code, Section 371;

b. to defraud the United States Postal Service of its right to the confidential and exclusive use, prior to any officially approved publication, of discussions and deliberations of (1) closed Board of Governors meetings, (2) closed Board committee meetings, (3) closed meetings of its officials and employees and (4) closed meetings of any combination of the foregoing entities and individuals and documents relating to those discussions and deliberations, free from cheating, deceit, fraud, theft, embezzlement, dishonesty, corrupt influence, official misconduct, payment of gratuities, conflict of interest, false representations, unjust influence, bid rigging, circumvention of government contracting procedures, and breaches and omissions of fiduciary and contract duties, in violation of Title 18, U.S. Code, Section 371;

c. to defraud the United States Postal Service and the citizens of the United States of America of their right to the loyal, honest, faithful and disinterested service, action and performance of official duties of its officers and employees, that is, of United States Postal Service Governor Peter E. Voss, free from cheating, deceit, fraud, theft, embezzlement, dishonesty, corrupt influence, official misconduct, payment of gratuities, conflict of interest, false representations, unjust influence, bid rigging, circumvention of government contracting procedures, and breaches and omissions of fiduciary and contract duties, in violation of Title 18, U.S. Code, Section 371;

d. to defraud the United States Postal Service and the citizens of the United States of America of their right to have the Postal Service make fair and unbiased administrative decisions pertaining to the selection, assignment of duties and termination of Postal Service

officials, including the procurement of the services of a new postmaster General, free from cheating, deceit, fraud, theft, embezzlement, dishonesty, corrupt influence, official misconduct, payment of gratuities, conflict of interest, false representations, unjust influence, bid rigging, circumvention of government contracting procedures, and breaches and omissions of fiduciary and contract duties, in violation of Title 18, U.S. Code, Section 371; and

e. to commit offenses against the United States in violation of Title 18, U.S. Code, Section 371, including:

(1) to embezzle, steal, purloin and knowingly convert to their own use and the use of each other, things of a value in excess of $100, belonging to the United States Postal Service, an agency of the United States, that is, confidential internal information, memoranda and documents, in violation of Title 18, U.S. Code, Section 641 [Theft of Government Property];

(2) to steal, purloin and embezzle property with a value in excess of $100, used by the Postal Service, that is, a booklet entitled "Presentation To Members Of The Board Of Governors And Management Of The USPS," which was the property of ElectroCom Automation, Inc., a body corporate, and appropriate such property to their own use and other than its proper use, in violation of Title 18, U.S. Code, Section 1707 [Theft of Property Used by Postal Service];

(3) to use the United States mails and cause the use of the mails in furtherance of and for the purpose of executing a scheme and artifice to defraud and for obtaining money and property by means of false

and fraudulent pretenses, representations and promises, which scheme and artifice is set forth more fully in paragraphs Thirteen and Fourteen of Count One of this Indictment, which are alleged and incorporated herein by reference as though fully set forth herein, in violation of Title 18, U.S. Code, Section 1341 [Mail Fraud];

(4) to transmit and cause to be transmitted, by means of wire communication in interstate commerce, signals and sounds in furtherance of and for the purpose of executing a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, which scheme and artifice is set forth more fully in paragraphs Thirteen and Fourteen of Count One of this Indictment, which are alleged and incorporated herein by reference as though fully set forth herein, in violation of Title 18, U.S. Code, Section 1343 [Wire Fraud];

(5) directly and indirectly, otherwise than as provided by law for the proper discharge of official duty, to give, offer and promise something of value to a public official for and because of an official act performed and to be performed by such public official, in violation of Title 18, U.S. Code, Section 201(f) [Payment of a Gratuity to a Public Official]; and

(6) being a public official, otherwise than as provided by law for the proper discharge of official duty, directly and indirectly, to ask, demand, exact, solicit, seek, accept, receive and agree to receive something of value for himself for and because of an official act performed and to be performed by him, in violation of Title 18, U.S. Code, Section 201(g) [Receipt of a Gratuity by a Public Official].

MEANS AND METHODS USED IN SEEKING TO ACHIEVE THE OBJECTS OF THE CONSPIRACY

13. It was a part of the conspiracy that defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR., and ROBERT W. REEDY, and Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin (all of whom may be hereinafter referred to by their last names), in order unjustly, unlawfully and illegally to enrich themselves and other businesses, trusts, and corporations which they directed and controlled, by undermining and manipulating the decision-making, contracting and procurement processes of the United States Postal Service for the purpose of receiving and attempting to receive and otherwise obtain certain tangible and intangible properties, that is, Postal Service confidential internal information, confidential internal documents, awards of USPS personnel search contracts and production contracts for optical character reading equipment, and money, which would be received and obtained as the result of cheating, deceit, fraud, theft, embezzlement, dishonesty, unlawful influence, official misconduct, the payment of gratuities, conflict of interest, false representations, unjust influence, bid-rigging, circumvention of government contracting procedures, the denial of the benefits of competition in government procurements, and breaches and omissions of fiduciary and contract duties, and, thereafter, in fact, to accomplish their objects, and to hide, conceal and cover up the accomplishment of their objects, would and did use the following means and methods, among others:

a. Commencing in or about July, 1981, and continuing throughout the remainder of the conspiracy, by means of regular and frequent telephone, written and in-person communications involving varying combinations of said defendants and unindicted co-conspirators, defendants REI, MOORE, REEDY and all unindicted co-conspirators would and did become knowledgeable of and aware of the identity and role of each other and the strategies and tactics being pursued and utilized by each other, illegally and unlawfully, to achieve their objectives;

b. At all times material to this Indictment, defendants MOORE and REEDY would and did personally and knowingly develop and actively exercise control and responsibility over important details and aspects of defendant REI's USPS optical character reading equipment marketing strategies and efforts;

c. Throughout the life of the conspiracy, all defendants and unindicted co-conspirators would and did use the United States mails and interstate wire communication facilities between and among the District of Columbia, the States of Texas, Michigan, Ohio, Illinois, Maryland and New York, the Commonwealth of Virginia and elsewhere in furtherance of and for the purpose of executing their scheme and artifice to defraud and for obtaining money and property;

d. In July of 1984, during deliberations by the Board of Governors concerning authorization of an imminent contract award in the second phase of the USPS SLOCR equipment procurement, Voss and Peterson would and did steal, purloin, embezzle and communicate internal, confidential and exclusive information belonging to the USPS and the Board of Governors to defendants MOORE and RECOGNITION

EQUIPMENT, INCORPORATED, an official competitor in that same procurement;

e. Commencing in the late summer of 1984, soon after a SLOCR equipment contract award to one of defendant REI's competitors and after a USPS decision to evaluate the merits of procuring and deploying MLOCR equipment by having the then current USPS SLOCR equipment contractors, which did not include defendant REI, attempt to develop multi-line reading conversion kits for their SLOCR equipment, defendants REI, MOORE and REEDY would and did meet and speak privately with United States Postal Service Board of Governors member Peter E. Voss and cause him to assist REI in attempting to obtain a MLOCR equipment production contract by, among other things, agreeing, at Voss' repeated recommendation, to hire, as REI's MLOCR equipment "marketing consultant," GAI, a small firm from Michigan which had an unlawful agreement to pay Voss referral fees;

f. Commencing in January of 1985, Voss would and did arrange (1) for Gnau and Marcus to meet with Postmaster General Paul N. Carlin for the purpose of discussing optical character reader equipment on behalf of defendant REI and (2) for William A. Spartin to meet with PMG Carlin, Deputy PMG Jackie A. Strange and Board of Governors Chairman John R. McKean pertaining to high level personnel matters, while the unindicted co-conspirators, and later the defendants, would and did agree to conceal Spartin's relationship with GAI and REI from the United States Postal Service and its Board of Governors;

g. The day before the Gnau-Marcus-Carlin meeting referred to in subparagraph (f) above, defendant REI, through defendant REEDY, would and

did authorize Gnau to represent REI at his meeting with Carlin in REI's attempts to obtain MLOCR equipment business from the Postal Service, and REEDY, with defendant MOORE's approval, would and did dispatch by means of a courier a $10,000 check to Gnau;

h. In late February, 1985, contemporaneous with defendant MOORE becoming Chairman of defendant REI's Board of Directors, REI, by defendant REEDY, as authorized by MOORE, signed a consulting agreement with GAI backdated to January 15, 1985, whereby REI agreed to pay CAI a retainer fee of $30,000 in three equal payments as part of a one percent commission fee if REI received a USPS MLOCR equipment production award and whereby, as later amended, along with another consulting agreement, REI paid approximately $295,000 to GAI, of which approximately $19,000 was paid to Voss, during the period from January 10, 1985, to October 1, 1986;

i. Commencing early in 1985, Voss would and did manipulate events to arrange the introduction of the defendants and Marcus and Gnau to Board member Ruth O. Peters who was the Chairperson of the Board's Technology and Development Committee, and, thereafter, the defendants, along with Voss, Peterson, Gnau and Marcus, through trickery and deception, would and did cause, and attempt to cause, Governor Peters to endorse defendant REI's automation proposals and MLOCR equipment, while simultaneously concealing Voss and Peterson's agreement, association and prior dealings with the defendants and Gnau, Marcus and Spartin from Governor Peters, the remaining Governors and USPS officials;

j. During the winter and spring of 1985, defendants REI, MOORE and REEDY would and did pay GAI three $10,000 payments with Gnau thereafter causing three check payments from that money, totalling $9,000, to issue from GAI to Voss, while Voss, Gnau, Marcus and Spartin would and did contemporaneously agree to share equally in the one percent contingent commission fee from REI for and because of Voss' official actions on behalf of all defendants and unindicted co-conspirators;

k. Commencing in early 1985, the defendants and unindicted co-conspirators would and did, through Voss, gain access to the Board of Governors and thereafter evade and attempt to evade the normal, proper and regular procurement procedures and processes of the USPS by causing, and attempting to cause, the Technology Committee to go beyond its lawful and proper power and authority by interjecting itself into the normal, proper and regular day-to-day activities and decision-making processes of the Postal Service's operations and procurement management;

l. Commencing in 1985, all defendants and unindicted co-conspirators would and did (1) determine and agree that James V. Jellison, Senior Assistant PMG for operations, was an obstacle to their plan to obtain a noncompetitive MLOCR equipment production contract award to defendant REI and (2) cause, and attempt to cause, the PMG to remove Jellison from any further participation in the optical character reading equipment decision-making process;

m. Commencing in early 1985, defendants REI, MOORE and REEDY, together with all unindicted co-conspirators, would and did cause and attempt to cause USPS management to cease all activities related to the

SLOCR equipment conversion kit procurement, which was a multi-line developmental program involving awards to three of REI's competitors;

n. Commencing in early 1985, all defendants and unindicted co-conspirators would and did forward, advance and improve defendant REI's marketing position with the Postal Service by, among other things, circumventing, undermining and manipulating, and attempting to circumvent, undermine and manipulate, the USPS decision-making processes pertaining to OCR equipment in order to have the Postal Service give REI a production contract for the manufacture of MLOCR equipment and by Voss and Peterson embezzling, stealing and purloining internal confidential USPS management and Board information and documents and giving said information and documents to all defendants and unindicted co-conspirators;

o. Commencing in early 1985, all defendants and unindicted co-conspirators would and did forward, advance and improve defendant REI's marketing position with the Postal Service by, among other things, circumventing, undermining and manipulating, and attempting to circumvent, undermine and manipulate, the USPS decision-making processes pertaining to OCR equipment in order to have the Postal Service give REI a productions contract for the manufacture of MLOCR equipment and by placing, and causing to be placed, before the Board and USPS management extensive written and oral materials, statements, recommendations, questions and presentations favorable to REI's position and receipt of a noncompetitive MLOCR equipment award as the independent research, judgment, conclusions and recommendations of Voss, Governor Peters and the Technology Committee while hiding and

concealing that those materials, statements, recommendations, questions and presentations were actually authored by all defendants and Marcus with the aid of the confidential information and documents described in subparagraph "n," above;

p. Commencing in early 1985, all defendants and unindicted co-conspirators would and did cause, and attempt to cause, the USPS to move away from its ongoing automation program and established procurement procedures, to purchase, immediately and noncompetitively, defendant REI's MLOCR equipment;

q. Commencing in early 1985, Voss would and did affect, control and direct and attempt to affect, control and direct various decisions of the Board of Governors and USPS management pertaining to MLOCR equipment, including that Voss would and did encourage, recommend to and instruct high officials of the Postal Service that USPS should purchase tens of millions of dollars of MLOCR equipment from defendant REI on a noncompetitive basis;

r. In August of 1985, Voss, having failed to obtain a noncompetitive MLOCR equipment production contract for defendant REI, would and did cause, and attempt to cause, shortened test preparation period with no research and development funds for the participants in a newly announced Postal Service two-part competitive MLOCR equipment procurement, thereby benefiting REI;

s. Commencing in or about August 1985, after defendant REI agreed to participate in the two-part competitive MLOCR equipment procurement referred to in the previous subparagraph, all defendants and unindicted co-conspirators would and did agree (1) to

attempt to cause USPS to award REI a noncompetitive MLOCR equipment production contract and (2) to frustrate the two-part competitive procurement;

t. Commencing in the late summer and early fall of 1985, all defendants and unindicted co-conspirators would and did (1) determine and agree that Carlin was an obstacle to their plan to obtain a noncompetitive MLOCR equipment production contract award to defendant REI and (2) set into motion a plan to remove him from the Postal Service;

u. In late August, 1985, defendants REI and REEDY would and did meet at REI's headquarters with Gnau, Marcus, Spartin and others, to further the means, methods, objectives and purposes set forth in the preceding subparagraph, at which time Spartin would and did state (1) that he had already placed high-level officials in the Postal Service, (2) that he was in a position to influence the Board of Governor's decision to keep or replace Carlin as Postmaster General, (3) that he would be able to influence the selection of Carlin's replacement and (4) that he would be able to influence the selection and placement of other high-level officials, as part of a reorganization of upper level management, all of which would result in a friendly atmosphere for REI;

v. Contemporaneously with the events described in subparagraphs "t" and "u", above, defendant REI, by defendants MOORE and REEDY would and did agree to pay GAI, Gnau, Spartin and Marcus additional monies totalling $22,000 per month beginning in October 1985;

w. From in or about November, 1985, to in or about February, 1986, Voss would and did receive, each

month, from Gnau $2,500 in cash as payment for his efforts on behalf of defendants REI, MOORE and REEDY and all unindicted co-conspirators;

x. Commencing in October of 1985 and continuing into February 1986, Spartin would and did give Voss in excess of four thousand dollars worth of airline tickets in return for Voss' assistance in obtaining USPS placement and PMG search contracts for Spartin;

y. Commencing in mid-October until early November, 1985, defendants REI, MOORE, and REEDY would and did offer to split the two-part Competitive MLOCR equipment procurement, being sponsored by the Postal Service, with its competitor ECA, while all defendants would and did seek to undermine and circumvent the USPS' two-part competitive MLOCR equipment procurement by making unreasonable requests for proprietary data from ECA's licensor, and thereafter all defendants along with Voss, Peterson, Gnau and Marcus would and did participate in rigging separate closed presentations by REI and ECA to USPS officials and the Board's Technology Committee through the authorship of biased questions for Voss to ask ECA and REI and theft and conversion of ECA's presentation material and booklet;

z. During the fall of 1985, defendants REI, MOORE, and REEDY, along with Voss, Peterson, Gnau, Marcus and Spartin would and did continue to utilize Spartin's position at MSL International Consultants Limited to insinuate him into the confidence of high-level USPS and Board officials in order to obtain placement and management consulting contracts with the Postal Service, thereby affecting the selection, placement and termination of certain high-level Postal Service officials, including the Postmaster General,

while concealing his relationship with GAI and REI from the Postal Service;

aa. Prom November through mid-December 1985, Voss would and did obtain for Spartin USPS interim and permanent PMG search assignments, and Spartin and Gnau would and did contact defendants REI, REEDY, and MOORE, and no one else, and ask them who they wished to recommend for the position of PMG;

bb. After having been asked to recommend a PMG candidate by Gnau and Spartin, defendants REI, MOORE and REEDY, with full knowledge of Spartin's position and financial interest in GAI and its prospective one-percent contingent commission fee from REI on any contracts for OCR equipment purchased from REI by USPS, would and did recommend three individuals with whom REI, MOORE and REEDY had varying types of friendly, personal and professional relationships and whose appointment they expected would result in a more receptive environment for REI's MLOCR equipment production contract proposals;

cc. Early in January, 1986, Voss would and did recommend a candidate for the position of Postmaster General to the Board of Governors without disclosing that the candidate vas recommended to Spartin by defendants REI, MOORE, and REEDY, when they expected to benefit from a change of Postmasters General and William A. Spartin expected to benefit financially under GAI's MLOCR equipment consulting contract with REI;

dd. At the Board's January 1986 meeting, defendants REI, MOORE and REEDY and all unindicted co-conspirators would and did succeed in

removing PMG Carlin and having Albert V. Casey, one of the three individuals whom were recommended to Spartin by REI, MOORE and REEDY, sworn in as Postmaster General of the United States;

ee. Beginning in early January, 1986, Voss, by himself and through others, would and did attempt to influence PMG Casey to remove certain high-level USPS officials including Senior Assistant PMG James V. Jellison and to award to Spartin and MSL the corresponding executive replacement search contracts;

ff. Early on the morning of January 9, 1986, Spartin would and did meet with PMG Casey and receive his decision that he wanted Spartin and MSL to have the search contracts to find three replacements pertaining to the removal of Senior Assistant PMG for Operations James V. Jellison and two other Assistant PMGs;

gg. On the evening of January 9, 1986, defendants REI, MOORE and REEDY, along with Spartin and Gnau, would and did meet to celebrate having placed their candidate into the position of PMG and to discuss (1) their ongoing strategy to receive a noncompetitive MLOCR equipment contract and (2) the removal of James V. Jellison;

hh. Throughout the life of the conspiracy, defendants REI, MOORE and REEDY and the unindicted co-conspirators would and did hide, conceal and cover up from the Postal Service, the public and others the true nature and full extent of their interlocking personal, financial understandings and private business relationships, including, among other things:

(1) concealment of important marketing information, including the nature and extent of defen-

dant MOORE and REEDY's contact with Voss and GAI, from John Lawrence, MOORE's predecessor as Chairman of the Board, REI's Board of Directors, Manager of Postal Programs and consultants;

(2) concealment of the fact that United States Postal Service Governor Peter E. Voss, through his arrangement with GAI, had a significant personal, financial interest in the award by the Postal Service of a MLOCR equipment production contract to defendant REI;

(3) concealment of their participation in false introductions of each other in the presence of unknowing Postal Service officials;

(4) concealment of the fact that Voss stole, purloined and converted information and documents, from the possession of and belonging to the Postal Service, which were passed on through GAI to and for the benefit of defendants REI, MOORE and REEDY and all unindicted co-conspirators;

(5) concealment of the fact that, through Voss, all defendants and unindicted co-conspirators presented to the Board of Governors, its committees and the Postal Service, memoranda, letters, comments and questions as being the disinterested and impartial research, judgment, conclusions and recommendations of the Technology Committee when in fact these items had been written, composed and structured by all defendants and GAI;

(6) concealment of material information in statements to Inspectors of the United States Postal Inspection Service;

(7) concealment from Albert V. Casey by defendants REI and MOORE that William A. Spartin,

through his arrangement with GAI and REI, had a significant personal and financial interest in the award by the Postal Service of a MLOCR equipment production contract to defendant REI;

(8) concealment through denial, by Voss, in a closed Board of Governors meeting, in March of 1986, that he vas aware of Spartin's association with GAI;

(9) concealment through insistence, by Voss, in the same closed Board of Governors meting, that he had not had any contact with GAI since he had referred GAI to Carlin in January, 1985;

(10) concealment of Spartin's ongoing relationship with GAI by his statements to the Chairman of the Board of Governors, United States Postal Inspectors and others that he resigned from GAI on October 1, 1985;

(11) concealment of the true facts through an arrangement by defendants REI, MOORE and REEDY and Spartin to misrepresent the facts and circumstances leading up to MOORE's recommendation of Albert V. Casey to Spartin for the position of PMG; and

(12) concealment, during the period of January, 1985, to February, 1986, when Governor Peter E. Voss was acting in his official capacity for the benefit of defendant REI, that he had received approximately $19,000 in cash and more than $1,000 worth of airline tickets from REI and members of GAI and a promise of one quarter of GAI's contingent commission fee owed by REI;

ii. Defendants REI, MOORE and REEDY, and the unindicted co-conspirators, as more particularly set

forth in this subparagraph, would and did willfully and knowingly make, and cause to be made, false and fraudulent pretenses, promises and representations, well knowing that they would be and were false and fraudulent when made, including, but not limited to, the following:

(1) Defendants REI and REEDY, and Voss, Gnau and Marcus, in or about early March, 1985, within the District of Columbia, misrepresented to senior Postal Service management and Board members that Voss did not know Gnau and Marcus, when in truth and in fact, as REEDY, Voss, Gnau, and Marcus well knew, Voss did know them;

(2) Defendant REI, Voss and Marcus, in or about early May, 1985, within the District of Columbia, misrepresented to Governor Peters and others, verbally and in writing, that Voss had independently originated and written a memorandum supporting and recommending that the Postal Service immediately procure MLOCR equipment from REI on a noncompetitive basis, when, in truth and in fact, as REI, Voss, and Marcus well knew, said memorandum had been originated and written by Marcus, on behalf of defendants REI, MOORS and REEDY;

(3) Defendants REI, MOORE and REEDY, along with Voss, in or about late May 1985, misrepresented to senior Postal Service management and Board members that Voss did not know MOORE when in truth and in fact, as REI, MOORE, REEDY and Voss well knew, Voss did know MOORE;

(4) Voss, in or about June 1985, within the District of Columbia, misrepresented to the Deputy PMG that the rest of the Board of Governors supported

Voss' position that a noncompetitive award for more than $160,000,000 of MLOCR equipment should be made by the Postal Service to defendant REI, when, in truth and in fact, as Voss well knew, a majority of the Board of Governors did not support that position;

(5) Defendants REI, MOORE and REEDY, on or about November 20, 1985, misrepresented to Inspectors of the United States Postal Inspection Service that neither MOORE nor REEDY had ever met or spoken with any member of the Board of Governors on an individual basis, when in truth and in fact, as REI, MOORE and REEDY well knew, REEDY had met with Governor Voss on an individual basis and MOORE and REEDY had both spoken with Governor Voss on an individual basis;

(6) Throughout 1985 and continuing until April 8, 1986, and particularly in December of 1985, defendants REI, MOORE and REEDY and all unindicted co-conspirators misrepresented to the Board and the Postal Service, by and through omission, that Spartin had no position or financial interest in GAI, when in truth and in fact, as they all knew, Spartin was an officer of GAI with a financial interest in GAI and its contingent commission fee owed by REI;

(7) Voss, on or about March 3, 1986, within the District of Columbia, misrepresented to the Board of Governors, during an official Board of Governors meeting, that when representatives of GAI initially contacted him, he had referred them to PMG Carlin, having no contact with them thereafter, when, in truth and in fact, as Voss well knew, he had been in frequent contact with them on a continuous basis during the intervening fourteen months;

(8) Voss, on or about March 3, 1986, within the District of Columbia, misrepresented to the Board of Governors, during an official Board of Governors meeting, that he was unaware of any business relationships between Spartin and either GAI or defendant REI, when, in truth and in fact, as Voss well knew, Spartin was the president of GAI, had consulted with REI under REI's consulting contract with CAI and expected to receive an equal share of GAI's contingent commission fee owed by REI;

(9) Spartin, on or about March 3, 1986, misrepresented to the Chairman of the USPS Board of Governors that Spartin had resigned from GAI on October 1, 1985, which was prior to Spartin having received a contract from the Postal Service to search for a replacement for PMG Carlin, when, in truth and in fact, as Spartin well knew, he had not resigned from GAI prior to March 3, 1986;

(10) Defendants REI and REEDY, on or about April 8, 1986, misrepresented to Inspectors of the United States Postal Inspection Service that they had been referred to Gnau by someone other than Voss, when in truth and in fact, as REI and REEDY well knew, Voss had referred them to Gnau.

OVERT ACTS

14. Defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR., and ROBERT W. REEDY, along with Peter E. Voss Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin committed the following overt acts, among others, in furtherance of the conspiracy:

1. On or about July 6, 1984, defendants REI and MOORE had a telephone conversation with Voss in which Voss stated to REI and MOORE that Voss vas "taking heat" and "working for you."

2. On or about July 9, 1984, Sharon R. Peterson had a conversation with an employee of defendant REI in which Peterson disclosed part of the content of a closed Board session relative to an ongoing competitive procurement in which REI was a participant.

3. On or about September 3, 1984, defendants REI and REEDY met with Voss in a Dallas, Texas, restaurant at which time Voss recommended that REI hire GAI to assist REI in obtaining a MLOCR equipment production contract with the Postal Service.

4. On or about October 12, 1984, defendants REI and REEDY met with Gnau at the Dallas - Fort Worth Airport for the purpose of discussing the formation of a consulting relationship between GAI and REI.

5. On or about November 9, 1984, Gnau sent a letter to defendants REI and REEDY in which he identified Spartin to them as the President of John R. Gnau Associates, Inc.

6. On or about November 26, 1984, Voss placed a telephone call to defendants REI and MOORE in which he asked why the REI/GAI consulting arrangement had not been concluded.

7. On or about November 27, 1984, Gnau left the following telephone message for defendants REI and REEDY: "Did not go around you to WGM, resulted from Peter Voss."

8. On or about December 18, 1984, defendants REI and MOORE had a telephone conversation with Voss.

9. On or about December 20, 1984, defendants REI and MOORE sent a letter to Voss.

10. On or about January 3, 1985, defendants REI, MOORE and REEDY met with Gnau and Marcus at REI's headquarters where Gnau told REI, MOORE and REEDY that he could deliver a MLOCR equipment production award in 90 to 120 days by going through Voss and the Board of Governors.

11. On or about January 8, 1985, Voss had a conversation with PMG Carlin wherein Voss arranged for Gnau and Marcus to meet with PMG Carlin on January 11, 1985, for the purpose of discussing optical character reader equipment.

12. On or about January 10, 1985, defendants REI and REEDY sent a letter to Gnau which (1) stated REI's intention to enter into a formal agreement for marketing services with GAI, (2) authorized Gnau to represent REI at his meeting with Carlin on January 11, 1985, and (3) contained the first of three $10,000 payments, totalling $30,000, purportedly as payments for consulting fees.

13. On or about January 11, 1985, within the District of Columbia, Gnau and Marcus met with PMG Carlin to discuss optical character reading equipment, purposely not disclosing Spartin's affiliation with GAI.

14. On or about January 15, 1985, within the District of Columbia and after Voss arranged for the meeting, Spartin met with PMG Carlin and Deputy PMG Strange to discuss his executive recruiting

business, omitting any mention of his position with GAI and his relationship with defendant REI.

15. On or about January 22, 1985, Gnau sent defendants REI and MOORE a letter in which he stated he could obtain a USPS purchase order of 40 to 100 multi-line readers in 90 to 120 days from January 1, 1985.

16. On or about February 4, 1985, Marcus sent defendants REI and REEDY a letter which informed them that GAI had scheduled a meeting for REI with the Technology Committees.

17. On or about February 5, 1985, within the District of Columbia, Voss obtained a position on the Board's Technology and Development Committee.

18. On or about February 5, 1985, Gnau made the first of three equal payments to Voss totalling $9,000, through one of Voss' companies, representing Voss' share of GAI's first payment of consulting fees from defendant REI.

19. On or about February 26, 1985, defendant REI, by defendant REEDY, signed a consulting agreement back-dated to January 15, 1985, with GAI whereby GAI would assist REI in pursuing a contract with the Postal Service for the purchase of MLOCR systems from REI in return for the payment of one percent of such contract.

20. On or about March 4, 1985, defendants REI and REEDY sent the second $10,000 check to GAI in accordance with the consulting agreement dated January 15, 1985.

21. On or about March 5, 1985, within the District of Columbia, defendants REI and REEDY,

along with Gnau and Marcus (but not Spartin), met with the Technology and Development Committee.

22. On or about March 5, 1985, within the District of Columbia, just before the meeting referred to in the preceding overt act, Gnau stated to defendants REEDY and REI that there was no need to tell the attending Governors that Gnau knew Voss.

23. On or about March 5, 1985, within the District of Columbia, separate and apart from the meeting referred to in the two preceding overt acts, Gnau introduced Spartin in person in the lobby of Postal Service Headquarters to defendants REEDY and REI as GAI's "Washington associate" and "President."

24. On or about March 5, 1985, and after the events referred to in the three preceding overt acts, within the District of Columbia, Voss had a meeting with the Chairman of the Board of Governors, the result of which was that USPS management was directed to cease immediately all activities related to the conversion kit procurement which was a multiline developmental program involving awards to three of defendant REI's competitors.

25. On or about March 11, 1985, defendants REI and REEDY sent a letter to Gnau expanding the coverage of the REI/GAI consulting agreement, dated January 15, 1985, to include any contract awarded by the Postal Service to REI for multi-line adapter kits for SLOCR equipment.

26. On or about March 12, 1985, Gnau made the second $3,000 payment to Voss through Sharon Peterson, representing Voss' share of GAI's second payment of consulting fees from defendant REI.

27. On or about March 27, 1985, within the District of Columbia, defendants REI, MOORE and REEDY had a meeting with Spartin in which Spartin told them that he and Gnau were well connected with Voss.

28. On or about March 29, 1985, defendants REI and REEDY sent the third $10,000 payment to GAI in accordance with the consulting agreement dated January 15, 1985.

29. Between on or about April 15, 1985 and on or about April 29, 1985, Marcus, on behalf of all defendants and unindicted co-conspirators, wrote a memorandum entitled "Memorandum Re: Recommendations to Management—Implementation of Zip + 4," for Voss' submission to USPS Management and the Board, purporting to be the independent research, judgment, conclusions and recommendations of the Technology Committee, but which in fact included the input, conclusions and recommendations developed by REI, MOORE and REEDY to support REI's proposal to sell MLOCR equipment to the USPS, without any reference to all defendants and Marcus' preparation and authorship of the memorandum.

30. Between on or about April 23, 1985, and on or about April 29, 1985, Marcus showed an employee of defendant REI the memorandum referred to in the preceding overt act and a cover letter to Governor Peters, prepared by Marcus, which misrepresented to Governor Peters that Voss had written the cover letter and that Voss had independently originated the memorandum and the recommendations to Postal Service management contained therein.

31. Between on or about April 23, 1985 and on or about April 29, 1985, Marcus told defendant REI about the receipt and content of an internal USPS management memorandum by Deputy PMG Strange entitled "Memorandum for Technology and Development Committee."

32. Between on or about April 23, 1985, and on or about April 29, 1985, and after the act referred to in the preceding overt act, defendant REI told Marcus information for Voss to use in making a response to Deputy PMG Strange's April 23, 1985, memorandum.

33. On or about April 29, 1985, Marcus sent Voss the cover letter for Governor Peters, referred to in overt act number 30, and the memorandum entitled "Memorandum Re: Recommendations to Management—Implementation of Zip + 4" along with a document entitled "Response to Deputy PMG Strange" for submission by Voss to Governor Peters and ultimately to USPS management and the Board of Governors as the independent research, judgment, conclusions and recommendations of the Technology Committee of the Board of Governors without any reference to all defendants and Marcus' preparation and authorship of the documents.

34. On or about May 6, 1985, within the District of Columbia, Voss, through Governor Peters and the Technology Committee, gave the "Memorandum" and "Response" referred to in the preceding overt act to the Board and Postal Service management without any reference to all defendants and Marcus' preparation and authorship of the documents and recommendations contained therein.

35. On or about May 10, 1985, Gnau made the third $3,000 payment to Voss through his company, Decision Systems, Inc., representing Voss' share of GAI's third payment of consulting fees from defendant REI.

36. On or about May 23, 1985, during an official meeting of the Board's Technology and Development Committee with defendants REI and REEDY at Dallas, Texas, Voss, in Gnau's presence, told Postal Service officials that he did not know Gnau.

37. On or about May 24, 1985, during an official meeting of the Board's Technology and Development Committee, at defendant REI's headquarters, when introduced to defendant MOORE by defendant REEDY in the presence of Postal Service officials, Voss said that he had never heard of MOORE.

38. On or about May 24, 1985, after the official meeting of the Board's Technology and Development Committee, defendants REI and REEDY asked Gnau in substance, "What's your arrangement with Voss?"

39. On or about May 24, 1985, in response to the question referred to in the preceding overt act, Gnau stated in substance to defendants REI and REEDY, "It is better you not know what my arrangement with Voss is."

40. On or about June 14, 1985, within the District of Columbia, Voss had a conversation with Deputy PMG Strange in which he told her to award defendant REI a noncompetitive contract for the production of 90 multi-line readers for an aggregate price of approximately $162 million and that such an award was supported by the full Board of Governors.

41. On or about July 8, 1985, Marcus had a conversation with Governor Peters in which he recommended to her that the Board of Governors seek the guidance of an independent government procurement specialist, without disclosing to her that the individual vas a consultant to defendant REI.

42. On or about July 8, 1985, within the District of Columbia, Voss had a conversation with PMG Carlin in which he told Carlin to fire Senior Assistant PMG Jellison.

43. On or about July 10, 1985, within the District of Columbia, defendant REEDY and Marcus met with an employee of defendant REI when the employee was told to deliver an envelope containing REI MLOCR equipment technical material to the Board of Governors office.

44. In or about mid-July, 1985, defendants REI and REEDY and Marcus had a conversation in which REEDY said in substance, "Why don't you get Peter Voss to order sole source."

45. On or about July 10, 1985, defendant MOORE had a conversation with an individual whose identity is unknown to the Grand jury in which MOORE was told, in part, of the content and results of the closed Board of Governors meeting end contemporaneous USPS management personnel deliberations which occurred on or about July 8, 1985.

46. On or about August 5, 1985, at an official Board of Governors meeting, Voss told Postal Service management, after it had decided to commence a two-part competitive MLOCR equipment procurement, to have a shortened test preparation period for that procurement.

47. Between on or about August 5, 1985, and on or about August 9, 1985, defendants REI and REEDY had a conversation with Marcus in which Marcus relayed confidential information received from Voss which was taken from the discussions which occurred in an August 5, 1985 closed Board of Governors meeting.

48. On or about August 9, 1985, defendants REI and MOORE had a conversation with a person whose identity is unknown to the Grand Jury in which he learned about the discussions in the closed Board of Governors meeting on August 5, 1985.

49. In or about late August, 1985, and before the events referred to in the next three overt acts, defendants REI and REEDY asked Spartin whether he individually was being paid relative to the REI/GAI agreement, being told in Spartin's answer that Spartin planned on sharing in the one percent contingent commission fee from REI.

50. On or about August 29, 1985, defendants REI and REEDY and other REI officers and employees met at REI's headquarters with Spartin, Gnau and Marcus for the purpose of discussing the strategy to obtain a noncompetitive MLOCR equipment production contract.

51. On or about August 29, 1985, defendants REEDY and REI had a conversation with Spartin, Gnau and Marcus in which they discussed (a) the replacement of senior Postal Service officials including the removal of PMG Carlin and Senior Assistant PMG Jellison both of whom they had concluded were obstacles to REI's receipt of a noncompetitive Postal Service MLOCR equipment

production contract and (b) the payment to GAI of additional consulting fees from REI, resulting in two agreements providing for additional consulting fees of $22,000 per month.

52. On or about August 29, 1985, defendants REI and REEDY and Marcus and Gnau had a private conversation relating to REEDY's approval of two new consulting agreements with GAI, carrying total compensation of $22,000 per month, in which REI and REEDY said in substance "I know you have people to take care of."

53. On or about September 5, 1985, within the District of Columbia, Voss read to a closed Board of Governors meeting from a memorandum, written by Marcus, without reference to Marcus, GAI or defendant REI, to rebut USPS management's competitive MLOCR equipment program, recommending changes advantageous to REI, including a proposed joint Audit/ Technology Committee meeting.

54. On or about September 26, 1985, defendant REEDY, as authorized by defendant MOORE, on behalf of defendant REI, signed an addendum to the REI/GAI consulting agreement dated January 1S, 1985, providing for a $16,000 per month nonrefundable advance against the one percent contingent commission fee along with also signing a new consulting agreement with GAI for $6,000 per month purportedly for public relations activities.

55. On or before September 30, 1985, with the assistance of defendant REI, Marcus wrote a memorandum entitled "Statement of the Technology Committee Zip + 4 Automation Program" which recommended the immediate noncompetitive procurement of

MLOCR equipment from REI and which Voss used to influence a joint meeting of the Board's Audit and Technology Committees.

56. On or about October 3, 1985, defendant MOORE had a conversation with a person whose identity is unknown to the Grand Jury, in which he learned about the discussions in the closed joint meeting of the Board's Audit and Technology Committees on September 30, 1985.

57. On or about October 11, 1985, defendant REI issued the first of ten monthly $22,000 checks to GAI in accordance with REI's two consulting contracts with GAI.

58. Between on or about October 11, 1985, and on or about October 17, 1985, defendant MOORE had a conversation with one or more employees of defendant REI in which MOORE directed that REI, through excessive requests for proprietary information, should make ECA, its only competitor on the USPS MLOCR equipment procurement, appear to the Postal Service to be uncooperative and thereby cause, and attempt to cause, the Postal Service to make a noncompetitive award to REI and abandon the competitive program in which REI had agreed to participate.

59. On or about October 17, 1985, at defendant REI's headquarters, defendants REI, MOORE and REEDY met with representatives of ECA'S licensor, for the purposes described in the previous overt act, with MOORE suggesting to said representatives that REI and ECA split the ongoing two-part MLOCR equipment procurement.

60. On or about October 18, 1985, Spartin gave Voss the first of nineteen airline tickets, having a

total value in excess of $4,000, in return for Voss' official influence to assist Spartin in obtaining official executive recruitment contracts with the Postal Service.

61. On or about October 25, 1985, with the assistance of defendant REI, Marcus wrote a memorandum which recommended the immediate test of MLOCR equipment followed quickly by the procurement of MLOCR equipment from REI and which was used by Voss and the Technology Committee to respond to PMG Carlin's October 18, 1985 letter addressed to the Chairman of the Board's Audit Committee which detailed the benefits of competition to the Postal Service in the ongoing two-part MLOCR equipment procurement.

62. On or about October 26, 1985, Spartin and Marcus had a telephone conversation in which they discussed in substance that, with Voss' assistance, all defendants and unindicted co-conspirators would succeed in removing Carlin as Postmaster General and replacing Carlin and other USPS managers with new individuals who would favor defendant REI.

63. On or about October 31, 1985, in Dallas Texas, defendants REI and REEDY met with Marcus for the purpose of drafting questions to be given to and used by Voss when REI and ECA made separate presentations on November 4, 1985, to the Technology Committee and selected Postal Service procurement officials on the competitive status of the two participating vendors in the ongoing MLOCR equipment procurement.

64. On or about November 1, 1985, within the District Of Columbia, after ECA's status presenta-

tion and before defendant REI's status presentation, Voss took information and written materials from ECA's presentation, thereafter unlawfully giving them to Marcus for defendants REI, MOORE and REEDY.

65. On or about November 1, 1985, within the District of Columbia, incident to the event referred to in the preceding overt act, Voss told a USPS contracting officer to introduce him to defendants MOORE and REEDY and Gnau.

66. On or about November 1, 1985, and soon after the events referred to in the two previous overt acts, within the District of Columbia, defendants REI, MOORE and REEDY physically received from Marcus the written materials which Marcus had received from Voss after ECA's status presentation.

67. On or about November 11, 1985, Gnau handed the first of four $2,500 cash payments to Voss in payment for his official influence and acts favorable to defendant REI pertaining to the ongoing procurement of MLOCR equipment by the Postal Service.

68. On or about November 20, 1985, at defendant REI's headquarters, defendant REEDY, in the presence of defendant MOORE and another REI employee, when asked by a United States Postal Inspector whether any of them had met with or spoken to any member of the United States Postal Service Board of Governors on an individual basis, stated that they had not.

69. On or about December 2, 1985, within the District of Columbia, at an official Board of Governors meeting, Voss told the other Governors that PMG Carlin should be replaced.

70. In or about early December, 1985, and after the event referred to in the previous overt act, within the District of Columbia, Voss, with the consent of the Chairman of the Board of Governors, authorized Spartin to begin an official search for a candidate to replace PMG Carlin.

71. In or about early December 1985, and after the event referred to in the previous overt act, within the District of Columbia, Gnau and defendant REEDY had a conversation in which Gnau told REEDY that Spartin had the assignment to find a candidate to replace PMG Carlin and that Spartin and Gnau believed that defendants REI, MOORE and REEDY should make the decision on the individual to be recommended by Spartin to the Board of Governors.

72. On or about December 11, 1985, defendant MOORE made a statement to Spartin that MOORE's choice for PMG was Albert V. Casey, a personal acquaintance of MOORE's and a close friend and long-time business associate of one of the members of defendant REI's Board of Directors.

73. On or about December 11, 1985, defendant MOORE, after the statement referred to in the previous overt act and after Spartin asked for more than just one name, told Spartin the names of two other individuals personally acquainted with defendant REI and/or MOORE.

74. On or about December 11, 1985, defendant MOORE placed a telephone call to Albert V. Casey in which MOORE asked Casey if Casey would be interested in holding the position of Postmaster General without disclosing that the Postal Service executive recruiter was a consultant for defendant REI.

75. On or about December 12, 1985, defendant MOORE placed a telephone call to Spartin in the District of Columbia in which MOORE told Spartin that MOORE had arranged with Albert V. Casey, who had told MOORE he was interested in becoming PMG, for Spartin to make personal contact with Albert V. Casey.

76. On or about December 13, 1985, within the District of Columbia, Spartin sent a letter contract, formalizing Spartin's search contract for an interim PMG and signed by Spartin, to the Secretary for the Board of Governors.

77. On or about December 16, 1985, within the District of Columbia, Spartin sent a letter contract, formalizing Spartin's search contract for a permanent PMG and signed by Spartin, to the Secretary for the Board of Governors.

78. On or about December 16, 1985, Gnau handed the second of four $2,500 cash payments to Voss in payment for his official influence and acts favorable to defendant REI pertaining to the ongoing procurement of MLOCR equipment by the Postal Service.

79. On or about January 6, 1986, within the District of Columbia, Voss went to an official Board of Governors meeting at which he voted (1) to remove Carlin and (2) to select Albert V. Casey, whom he knew was recommended by defendant REI, to be the Postmaster General of the United States.

80. On or about January 7, 1986, within the District of Columbia, Voss told PMG Casey (1) that he should replace one or more senior USPS officials, including Senior Assistant PMG Jellison, and (2) that Casey should hire Spartin and his firm, MSL, to conduct the search for their replacements.

81. On or about January 9, 1986, at about 8:00 a.m., within the District of Columbia, Spartin met with PMG Casey who told Spartin that Casey wanted Spartin and MSL to have the search contracts to find three replacements pertaining to the removal of Senior Assistant PMG for Operations James V. Jellison and two other Assistant Postmasters General.

82. On or about the evening of January 9, 1986, within the District of Columbia, defendants REI, MOORE and REEDY met with Gnau and Spartin and others at which time they (1) celebrated their candidate becoming Postmaster General, (2) developed a strategy, based on their belief that the selection and appointment of Albert V. Casey as PMG was advantageous for REI, to obtain a noncompetitive MLOCR equipment production contract for REI as soon as possible and (3) discussed the removal of Jellison.

83. On or about January 25, 1986, Gnau sent the third of four $2,500 cash payments to Voss in payment for his official influence and acts favorable to defendant REI pertaining to the ongoing procurement of MLOCR equipment by the Postal Service.

84. On or about January 31, 1986, within the District of Columbia, defendants REI and REEDY had a meeting with Spartin at which they discussed their goal of circumventing the competitive MLOCR equipment procurement program at the Postal Service and Spartin's recent assignments to identify three Assistant PMG candidates.

85. On or about February 24, 1986, Gnau sent the fourth $2,500 cash payment to Voss in payment for his official influence and acts favorable to defendant

REI pertaining to the ongoing procurement of MLOCR equipment by the Postal Service.

86. On or about February 26, 1986, within the District of Columbia, defendants REI, MOORE and REEDY met with Jellison's replacement.

87. On or about February 26, 1986, within the District of Columbia, defendants REI, MOORE and REEDY had a meeting with Spartin wherein MOORE complained that nothing was getting done and Spartin replied that PMG Carlin had been destroyed as planned.

88. On or about March 3, 1986, within the District of Columbia, Voss stated to the Board of Governors, during an official Board of Governors meeting, that when representatives of GAI initially contacted him he had referred them to PMG Carlin, having no contact with them thereafter.

89. On or about March 3, 1986, within the District of Columbia, Voss stated to the Board of Governors, during an official Board of Governors meeting, that he was unaware of any business relationship between Spartin and either GAI or defendant REI.

90. On or about March 1, 1986, within the District of Columbia, defendants REI and REEDY had a telephone conversation with Spartin in which Spartin stated that the Chairman of the Board of Governors had terminated his contract to identify a permanent Postmaster General to succeed Albert V. Casey and that Spartan had prepared a backdated letter which said that Spartin had resigned from GAI on October 1, 1985.

91. On or about March 21, 1986, defendants REI and REEDY had a telephone conversation with Spartin in which Spartin told REEDY that he was

interviewed by United States Postal Inspectors relative to his prior contract to identify an interim postmaster General and his affiliation with GAI, that he told the Inspectors that he resigned from GAI on October 1, 1985, and that he gave them false information pertaining to his recommendation of Albert V. Casey for PMG.

92. In or about March 1986, defendant MOORE and Spartin had a conversation in which MOORE agreed to misrepresent that MOORE had contacted Spartin to make suggestions for a PMG candidate, instead of the fact that Gnau and Spartin had contacted defendants REI, REEDY and MOORE to obtain their choice for a PMG candidate.

93. On or about March 28, 1986, Spartin had a conversation with Marcus in which he asked Marcus to participate in a cover-up story that had been communicated to defendants REI, MOORE and REEDY.

94. On or about March 31, 1986, Voss placed in the United States mails an envelope which, among other documents, contained a letter contract proposed by REI for the Postal Service to purchase MLOCR systems.

95. On or about April 8, 1986, defendant REEDY, when asked by United States Postal Inspectors how defendant REI had come in contact with Gnau, made a statement in which he misrepresented, first, that he could not recall and, second, that another of REI's consultants had given Gnau's name to REEDY in the summer of 1984.

96. On or about October 1, 1986, defendant REI sent to GAI a check for $8,000 as the final payment on its two consulting agreements with GAI, raising the

total paid on those two contracts to an amount in excess of $295,000.

(Violation, Title 18 U.S. Code, Section 371)

COUNT TWO

1. The allegations contained in paragraphs one through eleven of Count one of this Indictment are realleged and incorporated herein by reference as though fully set forth in this Count of this Indictment.

2. On or about November 4, 1985, within the District of Columbia, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR., and ROBERT W. REEDY did steal, purloin, and embezzle property with a value in excess of $100, used by the Postal Service, that is, a booklet entitled "Presentation To Members Of The Board of Governors And Management Of The USPS," property of ElectroCom Automation, Inc., a body corporate, and appropriate such property to their own use and other than its proper use.

(Violation, Title 18 U.S. Code, Sections 1707 and 2)

COUNT THREE

1. The allegations contained in paragraphs one through eleven of Count One of this Indictment are realleged and incorporated herein by reference as though fully set forth in this Count of this Indictment.

2. On or about November 4, 1985, within the District of Columbia, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY received, possessed, and obtained control of property of a value of $250 or more, belonging to ElectroCom Automation, Inc., a body

corporate, in the care, custody, control and possession of the United States Postal Service, consisting of a booklet entitled "Presentation To Members of The Board Of Governors And Management Of The USPS," which had been stolen, knowing and having cause to believe that it was stolen, with the intent to defraud and to deprive ElectroCom Automation, Inc., and the United States Postal Service of the right to and benefit of the property.

(Violation, Title 22 D.C. Code, Sections 3832(a), 3832(c)(1), 105)

COUNT FOUR

1. The allegations contained in paragraphs one through eleven of Count One of this Indictment are realleged and incorporated herein by reference as though fully set forth in this Count of this Indictment.

2. From in or about July, 1984, the exact date being unknown to the Grand Jury, to on or about October 1, 1986, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, within the District of Columbia and elsewhere, willfully, knowingly and unlawfully devised and intended to devise a scheme and artifice to defraud the United States Postal Service and REI's competitors and potential competitors for Postal Service optical character reading equipment contracts, and for the purpose of obtaining money and property by means of false and fraudulent pretenses, promises and representations which defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY, together with Peter E.

Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William Spartin, well knew would be and were false when made, which scheme and artifice is more fully described in the allegations contained in paragraph Thirteen of Count One of this Indictment which are realleged and incorporated herein by reference as though fully set forth in this Count of this Indictment.

3. On or about November 15, 1985, within the District of Columbia, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, for the purpose of executing the aforesaid scheme and artifice and attempting so to do, placed and caused to be placed in a post office and authorized depository for mail matter an envelope, containing documents which are described in the column marked "CONTENTS," to be sent and delivered by the Postal Service from the person identified in the column marked "SENDER" to the person identified in the column marked "ADDRESSEE":

SENDER	ADDRESSEE	CONTENTS
David P. Harris Secretary, Board of Governors Room 10300 U.S. Postal Service Washington, D.C. 20260-1000	William Sullivan 154 Leighton Bangor, ME 04401	Memorandum for the Board of Governors along with transcripts of REI and ECA's presentations to the Technology and Development Cmmittee and selected Postal Service officials.

(Violation, Title 18 U.S. Code, Sections 1341, 2)

COUNTS FIVE AND SIX

1. The allegations contained in paragraphs one through eleven of Count One of this Indictment are realleged and incorporated herein by reference as though fully set forth in these Counts of this Indictment.

2. From in or about July, 1984, the exact date being unknown to the Grand Jury, to on or about October 1, 1986, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR., and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, within the District of Columbia and elsewhere, willfully, knowingly and unlawfully devised and intended to devise a scheme and artifice to defraud the United States Postal Service and REI's competitors and potential competitors for Postal Service optical character reading equipment contracts, and for the purpose of obtaining money and property by means of false and fraudulent pretenses, promises and representations which defendants RECOGNITION

EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR., and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, well knew would be and were false when made, which scheme and artifice is more fully described in the allegations contained in paragraph Thirteen of Count One of this Indictment which are realleged and incorporated herein by reference as though fully set forth in these Counts of this Indictment.

3. On or about the date for each Count listed below in the column marked "DATE," defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORED JR., and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, for the purpose of executing the aforesaid scheme and artifice did transmit and cause to be transmitted, in interstate commerce by means of wire communications, signals and sounds, that is, telephone conversations from the persons at the locations the column marked "FROM" to the person at the below in the column marked "TO":

COUNT	DATE	FROM	TO
FIVE	December 12, 1985	Defendant WILLIAM G. MOORE, JR., at defendant REI's headquarters, Dallas, Texas	William A. Spartin, Washington, D.C.
SIX	March 4, 1986	Defendant ROBERT W. REEDY at defendant REI's headquarters, Dallas, Texas	William A. Spartin, Washington, D.C.

(Violation, Title 18 U.S. Code, Sections 1343, 2)

COUNT SEVEN

1. The allegations contained in paragraph one through eleven of Count One of this Indictment are realleged and incorporated herein by reference as though fully set forth in this Count of this Indictment.

2. From in or about July, 1984, the exact date being unknown to the Grand Jury, to on or about October 1, 1986, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, within the District of Columbia and elsewhere, willfully, knowingly and unlawfully devised and intended to devise a scheme and artifice to defraud the United State Postal Service and

REI's competitors and potential competitors for Postal Service optical character reading equipment contracts, and for the purpose of obtaining money and property by means of false and fraudulent pretenses, promises and representations which defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and Willilliam A. Spartin, well knew would be and were false when made, which scheme and artifice is more fully described in the allegations contained in paragraph Thirteen of Count One of this Indictment which are realleged and incorporated herein by reference as though fully set forth in this count of this Indictment.

3. On or about March 31, 1986, within the District of Columbia, defendants RECOGNITION EQUIPMENT, INCORPORATED, WILLIAM G. MOORE, JR. and ROBERT W. REEDY, together with Peter E. Voss, Sharon R. Peterson, John R. Gnau, Jr., Michael B. Marcus and William A. Spartin, for the purpose of executing the aforesaid scheme and artifice and attempting so to do, knowingly caused to be delivered by mail according to the direction thereon an envelope, containing documents which are described in the column marked "CONTENTS," to be sent and delivered by the Postal Service from the person identified in the column marked "SENDER'"to the person identified in the column marked "ADDRESSEE":

SENDER	ADDRESSEE	CONTENTS
Peter E. Voss Canton, OH	David Harris Secretary U.S.P.S. Headquarters, Suite 10300, 475 L'Enfant Plaza S.W., Washington, D.C. 20260	Transmittal letter from John R. Gnau, Jr., addressed to Peter Voss with attachments that included a March 20, 1986 letter from defendant ROBERT W. REEDY to SAPMG Coughlin and a proposed letter contract for the purchase of MLOCR systems from defendant REI.

(Violation, Title 18 U.S. Code, Sections 1341, 2)

A TRUE BILL:

_____

FOREPERSON

[Signature Illegible]

ATTORNEY OF THE UNITED STATES IN
AND FOR THE DISTRICT OF COLUMBIA